

PROCUREMENT ASSISTANCE TO SMALL BUSINESS

FIELD HEARING BEFORE THE SUBCOMMITTEE ON GOVERNMENT PROGRAMS AND OVERSIGHT OF THE COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES ONE HUNDRED SIXTH CONGRESS FIRST SESSION

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PROCUREMENT ASSISTANCE TO SMALL BUSINESS

WEDNESDAY, AUGUST 18, 1999

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT
PROGRAMS AND OVERSIGHT,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:15 a.m., in the East Room of the Urban League, 4510 South Michigan Avenue, Chicago, Illinois, Hon. Sue Kelly [vice-chairman of the committee] presiding.

Mrs. KELLY. Good morning. I am Congresswoman Sue Kelly, and I am the Vice Chairman of the Small Business Committee in Congress, and I'd like to call this hearing to order.

This is an official hearing of the Small Business Committee from Congress. The words that you speak here are going to be recorded by our stenographer here, so I want you to be aware of that. Some of you have not attended a hearing of this type before.

We have here, I'd like to turn the meeting over, since this is the district of my good friend and colleague, Mr. Danny Davis. Mr. Davis.

Mr. DAVIS. Well, thank you very much, and let me first of all thank you, Congresswoman Kelly, for first of all taking time out during what is a recess from the House to continue to work by coming out to conduct a field hearing. I also want to thank Chairman Talent and Chairman Bartlett with the Subcommittee, because they, too, have demonstrated a serious amount of interest in promoting the work of the Small Business Administration (SBA) and promoting opportunities for individuals and companies to be engaged in the most meaningful of all activity in this country, and that is the development and operation of small businesses.

The Subcommittee on Government Programs and Oversight has invited all of us here today to discuss whether or not the Federal Government is doing enough to support small business procurement. I and all members of the Committee are continuously seeking ways to improve small business opportunities. This committee depends on input from small businesses and from the small business community to guide and shape the undertakings of the Committee. And with your participation, we can ensure that the needs of small businesses are met. And that's the reason we've asked all of you to come today.

Small business ownership by minorities has been growing at a rapid pace in recent years. Yet measurement of this phenomenon

continues to fall short because of limited data. However, the data that we do have illustrates the problem women and minorities face while trying to run successful businesses. According to the Office of Advocacy in 1997, only 5.6 percent of \$195 billion, in prime Federal contract dollars, went to minority-owned businesses. The 1997 and '98 Department of Defense data presents a lack of concern for 8(a) contracting in some departments and a dismal performance for women-owned firms.

Taking a closer look, the Army's contracting percentage, who has the best record, actually, decreased from 9.6 to 9.5 percent from 1997 to 1998. The Navy decreased from 6.5 percent to 5.6 percent. The Air Force decreased from 4.8 percent to 4.7 percent, the Department of Logistics, 4.4 percent to 4.7, and the Office of Defense increased from 2.4 to 2.6. None have reached the goal of 5 percent.

Women participation in procurement comes up short of their share of overall economic activity. Women-owned businesses represent about one-third of all businesses in the United States and more than 11 percent of all business receipts. Yet they received only 1.7 percent of fiscal year 1996 Federal prime contract dollars, which is slightly down from the year 1995. In '97 and '98, it keeps getting even worse. Keeping in mind the DOD's 5 percent minority contracting goal, the Army has awarded only 3.2 percent of its contracts to women-owned firms. The Navy has only awarded 1.3 percent. The Air Force has awarded only 1.3. The DLA has only awarded 2.7.

I'm very concerned about these trends, as I'm sure that all of you are, that in spite of an economy that continues to remain strong and viable, there are still segments of the population who have not been able to fully realize the American dream. The reason the Small Business Administration and the Small Business committees are so important, I believe, is that throughout the system, there is a desire and there are efforts under way to improve and build upon these situations. I don't want us to ever believe that once we reach the basement, that we're in the penthouse. Yes, we have made tremendous progress in these areas, but as we often say in the church that I attend on Sunday mornings, "We have come a long way but we're still a far distance from yonder shore." And so, we have to keep pressing on. That is the purpose of this hearing. That is the purpose of seeking your input.

Madam Chairman, again I thank you for coming and I welcome all of the participants, and thank you very much.

Mrs. KELLY. Thank you. Small businesses represent the backbone of the economy. The Federal Government needs to recognize that small businesses are an important, cost-effective resource for services and goods. This oversight hearing is going to give us a chance to hear directly from small business owners in this area about what the Federal Government is doing right and what it can do to improve the procurement process and expand opportunities for small businesses nationwide.

Today we are going to hear testimony concerning the performance of the Small Business Administration in administering procurement and other programs designed to assist persons to start a small business and to grow and establish a small business. For example, the 8(a) Contract Program and the newly created HUBZone

Program were designed to help assist persons to realize the American dream of owning and growing a small business.

Have these and similar programs succeeded in achieving their stated objectives? Have these programs benefited the communities in which the small businesses are located and in which the employees live? Or have private sector efforts proved more successful than government-sponsored programs?

In the past, small businesses have expressed concern that SBA and other Federal agencies were not providing sufficient and effective assistance to small businesses who wanted to sell to the Federal Government or to increase sales through new business opportunities. This hearing is going to provide oversight of the SBA's entrepreneurial programs and a forum for recommendations which may be offered for improving the SBA's performance in aiding small businesses which want to enter the Federal procurement arena and to take advantage of new domestic and export business opportunities.

In addition, this hearing provides a vantage point for identifying problems that small business owners encounter as the result of over-regulation and burdensome government paperwork. Does the Federal Government use common sense in the promulgation and enforcement of regulations? Is the Federal Government friend or foe?

Only you, the small businesses of this nation, can answer these questions. We in Congress need to know your views.

In my prior life, I've owned and operated more than one small business. I know the unique problems especially that women entrepreneurs face in starting and growing small businesses. Too often, this important segment of the economy is forgotten.

Section 15 of the Small Business Act requires that the President set an annual government-wide goal for participation by small business concerns owned and controlled by women at not less than 5 percent of the total value of all prime contract and subcontract awards for each fiscal year. This minimum goal of 5 percent has never been achieved in the past. And at a hearing held earlier this month, it was apparent that the goal will not be reached again this year.

The Committee on Small Business and the Congress, generally, in a bipartisan effort has supported legislation aimed at helping women start and grow businesses. The Committee on Small Business has supported the National Women's Business Council, the Women's Business Centers, and the Micro-loan Program.

We in Congress can pass legislation. But if it is not properly implemented, it will not achieve the intended result. We are here to examine the efforts of the Small Business Administration and other Federal agencies in implementing the laws intended to help small businesses obtain their fair share of Federal procurement dollars. Are the programs administered effectively? Have they done a good job? We need to know.

Again, I thank you all for participating in this hearing. And I thank you in the audience for attending this hearing.

I also want at this time to lay down a couple of ground rules that are customary in hearings. That is, we ask the people who are testifying to hold their testimony to a limit of five minutes, and

Danny and I will ask questions following the testimony of each panel. And with that, I then would like to begin.

I believe the first person we have speaking now this morning is Ruth Sandoval. Ruth is the Deputy Director of the Minority Business Development Agency. Ruth, we're pleased to have you with us this morning.

[Mrs. Kelly's statement may be found in the appendix.]

**STATEMENT OF RUTH SANDOVAL, DEPUTY DIRECTOR,
MINORITY BUSINESS DEVELOPMENT AGENCY**

Ms. SANDOVAL. It's a pleasure to be here, Congresswoman Kelly, Congressman Davis. Thank you very much for having us here and for giving us this opportunity. I bring you greetings from Commerce Secretary Daley and also from Courtlan Cox, our Director, who was unable to be here with us today. Rather than go into the testimony and provide you the census information and the data, I thought it would be of more benefit to you to hear about the specifics of the programs that we have and what we are doing to try to meet the economic changes that are affecting the minority business community and the small business community.

In our testimony is included a discussion on a Phoenix opportunity system which was put into place nine months ago. The system itself is a procurement system which is a pass system which provides businesses an opportunity to register on the system and then receive online via the Internet contracting opportunities automatically. So this is a system which doesn't require the businesses to look for procurement opportunities. They automatically come to them via the Internet.

Currently, the system has, again like I said, been up for nine months. In the Chicago area alone, there are 129 companies that are registered and there are 290 contracting opportunities that have been matched for a total of \$83 million in contracting opportunities through the Phoenix system. \$150 million of those contracts is the total that we had, and that \$150 million has since expired, but the total contracting opportunities in nine months was \$230 million just for the Chicago area, and that's on the Phoenix system. Overall, the system nationwide in a nine-month period, we had \$345 million in contracting opportunities and 15,000 companies that received those contracting opportunities on the net in the evening. They have the opportunity to respond to these contracting opportunities if it meets the needs and they want to respond to that particular contract. And these come, again, from all over the Federal Government. And also, we have set up a system to do city and state. Now, I'll talk further on that in a moment.

The second item is the performance system based on the performance of our centers in the field in meeting with the government requirements to make sure that our centers are providing the resources necessary efficiently and effectively to the community. The performance system was put in place to track and monitor the number of procurements, financing packages, marketing packages, the number of clients that the centers are actually seeing. This is done automatically online on the Internet on a desktop. So, we have actual performance of our centers on daily basis if we wanted to have that.

The third item is a partnership that we had actually done with the private organization. We put a system in place where we are working with an organization to identify procurements in the local communities. So we work in partnership with state and city government. Those city and state government procurements are, again, funneled through the system so that business opportunities are provided to businesses online automatically, again, via the Internet.

We have a gentleman, actually, that was here in the audience who is the former President of the 8(a) Association here in the Chicago area, David Ramirez. And David came up to me at the very beginning and informed me that he had actually used the system. So I was glad that, you know, we had feedback directly from him that it's been successful.

The system in the Chicago area, again, from December of '98 to July of '99, has had 446 contracts referred to 4,182 businesses in the Chicago area. And this is, we're only talking Chicago. I have further numbers for the Illinois area as a total. And Congressman Davis, we brought for you also the summary of the report for the Chicago area of all of the businesses that had been matched with contracting opportunities. This includes all the names and phone numbers of the companies. So, if you have an opportunity to visit with some of these companies, that will provide you some feedback on the success of the contracting system that we have.

Again, I'd like to thank you for the opportunity to testify, and if you have any further questions, I'd be glad to answer them. Also, with me is Michael Garcia, who is our chief information officer and was the co-designer of the Phoenix system at the Department of Commerce.

[Ms. Sandoval's statement may be found in the appendix.]

Mrs. KELLY. Thank you very much, Ms. Sandoval. Next on my list is Mr. Ted Cowen.

STATEMENT OF TED COWEN, DIRECTOR, REGION V, SCORE

Mr. COWEN. Congresswoman Kelly, Congressman Davis, my name is Ted Cowen and I'm the SCORE Director for Region V, which includes Illinois, Indiana, Ohio, Michigan and Wisconsin. I'm also a member of the SCORE Board of Directors. I have been a SCORE member for 12 years and have served in various capacities including Chapter Chair, District Manager, and Director. My business background includes experience in a large company as well as having grown my own business.

Thank you for inviting SCORE to testify regarding our efforts to assist small business owners and would-be small business owners interested in doing business with the government. We appreciate the many years of support the Committee has given SCORE. I respectfully request that my written testimony is read into the record, and I will speak briefly from my notes for the time I've been given.

SCORE assists clients with matters that relate to doing business with the government in several ways. The Chicago, Illinois chapter conducts at least two workshops per year devoted totally to government contracting. In Chicago, these workshops include presentations by the Chicago District Office of the Small Business Admin-

istration, the city of Chicago, the state of Illinois, and GSA. According to the chapter, attendance averages 8 to 12 people. At the most recent workshop on this topic that was held on August 10th, 1999, we had 8 to 10 people, including three people of color and three women attendees.

Additionally, the Chicago chapter has six counselors with government contracting experience who are available to assist clients individually on a confidential basis. This confidential counseling is provided free to the client. The workshops typically require a small fee that averages approximately \$25.

The SCORE's Cyber Chapter has more than 45 counselors with experience in government contracting. These counselors are available to answer questions and provide guidance through the SCORE website, www.score.org. Clients visiting the site select the e-mail counseling icon and the keyword search, type "government contracting" or "doing business with the government." The client then chooses the counselor whose experience is most relevant to his or her needs. The counselor and the client then begin a dialogue via e-mail that might only be a single exchange of messages, or it could continue into a long-term mentoring relationship.

The SCORE website and e-mail counseling extends SCORE's reach into areas where we have no physical presence and gives all clients and chapters access to a needed skill or discipline via the Internet. These services are free to the client. SCORE volunteers typically use their personal computers for e-mail counseling and personally cover their associated expenses.

One more example is the SCORE chapter in Washington, D.C. That D.C. chapter holds one workshop per month specifically devoted to doing business with the government. This workshop averages 8 to 15 attendees, it is conducted by a counselor who spent his entire career in procurement in business at NASA. The chapter also has six counselors whose primary experience is government contracting and estimates that roughly 25 percent of their clients are interested in doing business with the government.

Nationally, SCORE has other members and chapters that readily focus on client issues relating to doing business with the government. SCORE is planning involvement in the HUBZone initiative, assisting SBA in their effort to develop and implement programs and products that accomplish their stated objectives.

Madam Chairman, Mr. Chairman, thank you again for inviting SCORE to testify before you today. And I would be happy to answer any questions at any time.

[Mr. Cowen's statement may be found in the appendix.]

Mrs. KELLY. Thank you very much, Mr. Cowen. We move now to Hedy Ratner. Ms. Ratner is—we are so glad you were able to get here on time. We weren't sure you were going to be able to do that. She is co-president of the Women's Business Development Center. Please, go ahead with your testimony.

**STATEMENT OF HEDY RATNER, CO-PRESIDENT, WOMEN'S
BUSINESS DEVELOPMENT CENTER**

Ms. RATNER. I thank you, Representative Kelly and Representative Davis. I'd like to thank you for allowing me to testify but also to thank you for your support.

Mr. DAVIS. Could you put one of these microphones—

Ms. RATNER. Thank you. I'm loaded with mikes now. Thank you for your support of small business. Thank you for your support of the small business development centers, and especially also for your support of the women's business assistance centers, which have been so critical in developing women-owned business in the United States.

I have submitted an extensive testimony and instead of really reading from that, what I'd like to do is talk about some of the major issues that really need to be addressed. Your purpose in having your hearings today is to find out if the SBA programs have been effective. The SBA programs for procurement and access to capital have been enormously effective and enormously helpful to women and minorities in the Midwest. But there are some major problems that need to be addressed that have not. And, I think, one of my major issues is you are involved with legislation around small business issues and I think the major thing that Congress can do is if you're going to pass laws, do no harm.

Our problem now is in streamlining contracting in procurement at the Federal level. You're kind of streamlining the women and minority-owned businesses and small business out of the system. Our access to federal procurement is difficult, becoming more difficult as you consolidate contracts, streamline the procurement process, saving money perhaps for the Federal Government, but essentially taking our women and minority-owned businesses out of the competition for jobs and business opportunities. It's a really critical issue that needs to be looked at.

There are ways of addressing it and I think as a former member of the National Women's Business Council, the National Women's Business Council has addressed it in part by publishing some of the best practices that have existed with corporations and government in its '99 report. Sue, I think you have a copy of the National Women's Business Council's procurement assistance report—what the council has done is looked at what are these best practices with some of the Federal agencies, and there are some really good programs at the GSA, the Department of Defense. But what we also see is, in the private sector there are a number of really solid programs, and what we are seeing is there needs to be a commitment from the top—and that means from Congress, as well as from the administration—to ensure that this important segment of the economy, small businesses, that their issues are being addressed in terms of access to capital but also access to the market. And the opportunities need to be there for us. And there are ways of looking at it but I think, first, the commitment must come from the top.

Beyond that, I think that we're looking at moving beyond for women business owners from 2.5 percent Federal contracts that now exist for women-owned businesses. We're a very fast-growing segment of the economy, soon to be close to 50 percent of all businesses, and now at 40 percent. But we're really only receiving only 2.5 percent of all Federal contracts.

There are ways of establishing and replicating those best practices that exist both in the public and private sector that we can do in government because government does really set the precedent for the private sector. We have problems with certification. A coali-

tion of women business owners, currently petitioning SBA to include women as a presumptive group, something that we've never thought of or attempted. But the new Small and Disadvantaged Business Enterprise federal certification requirements are putting some inhibitions on the ability of small businesses—minority and women-owned businesses—to do the business they've been doing before. So if they've been a subcontractor and are not certified and have to go through a process that may be very difficult for them, they may be, again, excluded instead of included. Instead of adding to the opportunities for minorities and women, we may be excluding them from the process.

Another is access to capital. We do need the expansion of government-guaranteed lending in micro-enterprise programs. And I know that Congressman Davis is interested in both the micro-enterprise programs and also the possibility of new legislation with the Department of Treasury to expand that program. There needs to be a way of consolidating the efforts and ensuring that we're not replicating. Micro-enterprises are really critical for the development of new businesses and start-up businesses in this country today, especially in economically disadvantaged communities.

Again, about the certification issue we were talking about. Certification is required at the Federal level, at the state level, at the county level, at the city level, at the private sector level. We need to have reciprocity in certification if we're really working at including small businesses and the ones from the communities where they are most under-served in the process. My organization is a Small Business Development Center and a Procurement Technical Assistance Center, and in my testimony, we provide statistics about the success of those programs and the impact they've had on our economy in Illinois. There really needs to be the expansion of and increased support for Small Business Development Centers and Procurement Technical Assistance Centers, and targeted programs for minorities and women that will meet our needs and help women and minorities be competitive in this marketplace.

Given the current environment in procurement, with streamlining and consolidation, without the tools that facilitate access to the marketplace, we will not see a significant increase in competitive contracting opportunities. We need a commitment from the top, we need a commitment from Congress, to protect small business through the Federal procurement process. And this is really what I'm asking of you today.

Our programs have been successful, but there is much more that can be done. We need to protect small businesses and increase their capacity to do business at the Federal level. Thank you.

[Ms. Ratner's statement may be found in the appendix.]

Mrs. KELLY. Thank you very much, Ms. Ratner. And the last person on this panel, but certainly not the least, Mr. Hayes. Dr. Richard Hayes is the Associate Deputy Administrator for the U.S. Small Business Administration. Dr. Hayes.

**STATEMENT OF RICHARD HAYES, ASSOCIATE DEPUTY
ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION**

Dr. HAYES. Thank you very much. It's a true honor to be here this morning. I'm glad to have this opportunity to tackle some of

the SBA initiatives to foster economic development and business enterprises in the city of Chicago. Again, I appreciate this opportunity to talk about some of the things that SBA is engaged in to foster economic development in the Chicago area, particularly as it relates to Federal procurement.

At SBA, we are very excited about the future and are working very hard to prepare our small businesses for the next millennium. The rapid changes in today's environment mean that tomorrow will be more diverse, technology-driven, and information-based. At SBA, we're prepared for the 21st century. We are serving an increasingly diverse population and have set in motion a series of initiatives to meet the capital requirements and business development needs for the rapidly growing markets of women and minority-owned businesses.

We're taking advantage of technology to help Federal contracting officers and commercial buyers.

Mrs. KELLY. Mr. Hayes, I hate to interrupt you, but if you move the small microphone more towards your right, I think then we'll have that bounce-back end. We're getting a bounce-back.

Dr. HAYES. Can you hear me now?

Mrs. KELLY. I think the bounce-back has ended. Can you hear him? Everybody out there can hear him now?

Dr. HAYES. Okay, thank you very much. Technology at its best.

Mrs. KELLY. Right. It still needs the human touch.

Dr. HAYES. Still needs the human touch.

One of the things that we have developed to help identify small businesses for procurement opportunities is our PRO-Net system. This is an online Internet-based system that allows Federal procurement officials to identify small businesses. Currently we have over 180,000 small businesses that are currently registered in the PRO-Net system and it provides a preferred list used by Federal agencies for identifying firms who may be available—for various procurement activities. We've recently enhanced PRO-Net to include a feature called SUB-Net that allows prime contractors to announce subcontracting opportunities to small businesses.

Of our nation's 23 million small businesses, 588,000 are in Illinois. A recent report indicated that Cook County, one of the 10 largest counties in America, has the second-largest number of African-American-owned firms, about 32,000. Cook County is also very diverse in that it has around 24,000 Hispanic-owned businesses, 147,000 women-owned businesses, and 36,000 Asian-American firms.

In 1998, the Federal Government spent about \$182 billion. Of this amount, \$42.5 billion went to small businesses, \$11.8 billion went to small disadvantaged businesses, \$6.5 billion went to 8(a) businesses, and \$4 billion went to women-owned firms. This represents an increase in every category over the previous year and the single largest percentage share of Federal procurement going to small businesses ever.

In the 7th Congressional District, Federal procurement totaled \$1.3 billion out of the \$3.9 billion spent in Illinois. Of this amount, \$214 million went to small businesses, \$30.7 million went to disadvantaged businesses and 8(a) firms received \$17.2 million, and women-owned businesses received \$15.6 million. While these

achievements are good, they are not nearly good enough, and we always want to do more.

During this administration, we have seen sweeping changes in the Federal procurement process. The government is striving to operate more like a commercial buyer through the use of streamlined contracting procedures. As these reforms are implemented, SBA is working hard to reinforce our nation's long-standing commitment to ensure that small businesses remain competitive in the Federal marketplace. To help us do this, we employ a series of procurement center representatives (PCR). Their job is to work with Federal agencies and to make sure that procurement opportunities for contractors are available at both the prime and subcontract levels.

Our SBA Area Office is headed by Robert Murphy. His staff of PCRs and other procurement professionals are highly recommended to any small business that is seeking assistance.

Since 1994, there has been a government-wide goal of 5 percent for women-owned small businesses. Over the last five years, women-owned small businesses have averaged about 1.84 percent of total Federal procurement. SBA, in efforts to increase these numbers, has began joining with 11 other large procuring agencies to exchange innovative ideas and best practices, conduct research and training for women entrepreneurs, and to figure out ways to match women-owned small businesses with opportunities, again, at both the prime and subcontracting levels.

On March 22nd this year, we launched the HUBZone Program to provide procurement opportunities for small businesses located in urban and rural areas. The goal for HUBZone is \$2 billion this year, and that will increase to \$6 billion by the fiscal year 2003. We currently have received over 500 applications and we have approved 230 HUBZone firms. There are two firms that have been approved in the Chicago area: D.R. Balti, which is a Hispanic-owned graduated 8(a) firm that specializes in general contracting, and also Barrett Manufacturing which is a woman-owned small business that provides metal stamping services.

I encourage other firms in this district and throughout Chicago and other areas to apply for the HUBZone Program. This program, I believe, is going to be very successful in providing lots of opportunities in urban and distressed areas.

In implementing the HUBZone Program, we tried to make use of technology at its best. Our website provides a variety of information about the program, including frequently asked questions about various rules and regulations. Anyone wanting information about the program can go to the website, which is located at www.sba.gov/hubzone. The HUBZone website also has a mapping system that allows firms to enter in their address and it can tell you instantaneously whether or not your firm is located in the HUBZone site. This also has an electronic application which firms can fill out; it's very straightforward and easy to follow those directions. Small businesses that do not have access to a computer can go to one of the SBA local resources at the One-Stop Capital Shops or the SBDCs for assistance.

Also, I would like to highlight an initiative that was recently announced by the administration, and that is the New Markets initiative. If approved by Congress, this initiative will provide increased

opportunities for small businesses in the 7th District and other districts to increase their opportunities toward economic viability.

The HUBZone Program and the New Markets initiative focus on economic development and job creation. However, this represents only a partial solution to community-based economic development. We also have to provide opportunities for entrepreneurship, especially among disadvantaged individuals, who, for too long, have been denied access to the American dream.

The 8(a) program is this opportunity.

Under the 8(a) program, SBA is authorized to provide sole source and competitive contracts to small socially and economically disadvantaged businesses. The goal of the program is to provide business development assistance to help these firms acquire self-sufficiency.

Since the program began in 1968, over 500,000 contracts have been awarded, for a total of about \$77 billion. These figures represent a very small percentage of total Federal procurement but still represent significant opportunities for small disadvantaged businesses. The 8(a) program has made it possible for many minority entrepreneurs to enter into the Federal marketplace. It is a means by which qualified businesses have to provide goods and services that can meet the requirements of the market overall.

Over the past year, SBA has focused on ways to strengthen the 8(a) program. Recent regulatory changes have implemented a mentor-protege program. This program allows small businesses to team with larger, more experienced businesses to access the Federal marketplace. In addition, we have made other changes that allow for a more equitable distribution of contracts. We have imposed other requirements in terms of increasing competitive mix requirements—so the firms can in fact graduate and survive once the program is over.

Finally, I'd be remiss if I didn't mention the small disadvantaged business certification program. This is a new requirement that was put in place by the administration so that we could do affirmative action procurement in a lawful, legal way. We've been working very hard to get firms certified. It's a new opportunity and we encourage firms who are not currently in the program to in fact register.

In conclusion, I think you'll agree that we have a variety of services and opportunities that can help small businesses succeed in today's environment. I would like to thank you for this opportunity to be here this morning, and I'd be glad to answer any questions you might have.

Thank you.

[Dr. Hayes' statement may be found in the appendix.]

Mrs. KELLY. Thank you very much, Dr. Hayes. I want to let people know that while Dr. Hayes was testifying, we've been joined by a third colleague up here, Bobby Rush. I'm so glad to see you here, Bobby. That's wonderful of you to take your time to do this. Would you like to make a statement?

Mr. RUSH. Sure.

Mrs. KELLY. Let's just move this down.

Mr. RUSH. Thank you so very much. Madam Chairperson, and to my colleague in the Congress, Congressman Danny K. Davis, and to the panelists, the witnesses here, I am indeed very delighted to

be here at this hearing of the Small Business Subcommittee on Government Programs and Oversight. As you know, Madam Chairman, I am not a member of your great Committee but I can tell all the participants here the outstanding work that this committee does on behalf of small businesses all throughout the nation. And I also want to congratulate my good friend, my good buddy to my right here. We served in the Chicago City Council together, we were compatriots in the civil rights movement, and now we serve in the Congress together. So we've been together for many, many years and we have what we call a dynamic duo, Congressman Davis and myself. I know the outstanding work that he does on behalf of his constituents in the 7th District on this committee and overall of small businesses within the city of Chicago.

And I want to, again, welcome you to this great city. I just ask that you, during the brief time that you're going to be here, that not only do you conduct this hearing in a way that really gives us insight into some of the issues that small businesses in Chicago are having, but I also ask before you leave, do what you can to help small businesses out before you leave. Spend some money here. We've got great shopping and great restaurants. [Laughter.]

Mr. DAVIS. He wants you to give him more money.

Mr. RUSH. We want to have some of that New York cash left here in the city of Chicago. [Laughter.]

But as you know, Madam Chairman, in the Congress I do have a lot of interest as it relates to small businesses. And one that I'm concerned about, access to capital and also training for small businesses. In that regard, you know that I have sponsored legislation that passed the House, that's passed the Senate, that's now a part of the conference committee, that passed the Banking Committee, it didn't pass the—but it passed the Banking Committee and it was a part of the conference committee. It was a bill called the Program for Investment in Micro-Entrepreneurs Act, the PRIME Act. With the PRIME Act, we expect it to be a part of the conference report as it relates to the Financial Modernization Act of 1999. And with this particular bill, we intend to have monies available for low and very low-income entrepreneurs to provide training and technical assistance for low and very low micro-entrepreneurs. And this is an area that I would ask that those who represent the SBA to take a particular look at because of the fact that at this point in time—and if I might ask a question, I'm going to ask SBA what are they doing about the very low and low-income micro-entrepreneurs? As you know, these are people who have businesses, cottage industries, but they need to have the training and they need to have technical assistance.

So those are the areas that I'm primarily concerned about at this point in time or one of my concerns, rather. And I just want you to know that I am so pleased to be here, to associate myself with this committee and with the work of this fine, outstanding Committee. Thank you so very much.

Mr. DAVIS. I am a member of that conference committee to finalize the legislation. So I simply wanted to congratulate him for getting that legislation passed and for his outstanding work.

Mrs. KELLY. Thank you. We go now to the questions for our witnesses, and I'd like to begin with you, Ms. Sandoval. I'd like to ask

you from some of the questions that I read from your testimony, what cooperation have you had from the Department of Defense with regard to listing opportunities on the Phoenix system?

Ms. SANDOVAL. One of the things that we're working with the Department of Defense on is making sure that we have a relationship for contracting opportunities being loaded into the Phoenix system. That way, those contracting opportunities will meet a lot of the businesses on the Internet, online. We have started this process just recently because our system has been functional for only nine months. We really haven't had an opportunity to visit with all of the Federal Government agencies to see how we can then establish the system whereby they can find their procurement opportunities and get them into our Phoenix opportunity system.

Mrs. KELLY. But you do plan to visit with each agency?

Ms. SANDOVAL. Yes, we have already begun that process.

Mrs. KELLY. With whom have you visited?

Ms. SANDOVAL. Michael Garcia, our chief information officer, I am going to refer that to him since he has actually visited several agencies already.

Mr. GARCIA. Yes, Congresswoman, thank you. We have met with all of the Office of Small and Disadvantage Business Utilization (OSDBU) representatives at their monthly meeting. They represent all of the agencies in the government. We made presentations at a couple of those meetings, and I'm in contact with individual members. T.J. Garcia is our OSDBU member at the Commerce Department. I'm working very closely with him in making sure that the Department of Commerce community, NIST, not census, are all in our system.

We're starting at that point and then we're building out from there. So we've introduced the system, we've shown people how to use the system, and they're trickling in. NASA, for instance, has quite a number—

Mrs. KELLY. Well, good. NASA is coming on board?

Mr. GARCIA. Yes, they've been sending us contract leads.

Mrs. KELLY. And are you intending to also approach everything, including the State Department?

Mr. GARCIA. Yes, we're trying to go to all the agencies. Eventually, we'll get around to all of them.

Mrs. KELLY. Good. I think that sounds like a terrific system and I would hope that, I'm glad that you have 15,000 match-ups but I'd really like to see 150,000 match-ups. Nine months, we'll check back with you in another nine and see how it's going.

Would you explain in more detail about how the COMMITS program helps the small businesses when a Federal agency is bundling or streamlining procurement? Can COMMITS really help small businesses there? This goes to an issue that Ms. Ratner raised.

Ms. RATNER. I think, you know, one of the things that we recognized in COMMITS was that we know that corporate America as well as government are responding to their need to streamline efficiency and also to meet the bottom-line cost. And so everything seems to be moving in the direction of how do we work with businesses, and rather than doing a hundred businesses, we will work with ten businesses. So, our goal is to try to connect the women

and minority business community at a level where they can either build the partnerships with corporations to be able to do that and then move to the next level so that they can reach a higher level of procurement through that sector.

The government-wide agency contract that was done, the COM-MITS was done specifically for minorities, small businesses, and for women. There are 29 companies that have been selected to participate, and it is industry-specific. This is only for information technology firms. Once those companies have been selected, they basically will be the list that will be used for contracting opportunities for information technology.

Based on these 29 companies, they will then also have subcontracting opportunities for small businesses that can link up with these women-owned businesses, minority businesses, and small disadvantaged businesses. So, it's the first time that this actually happened where we had a government-wide agency contract that was focused totally on those three segments of the community.

Mrs. KELLY. And it worked fairly well?

Ms. RATNER. It has worked. We have now 29 companies and it's now proceeding into the process of contracting opportunities moving to the subcontracting sector.

One of the things that we're doing jointly with the SBA is our National Minority Enterprise Development Week Conference. At that conference, the 29 companies will be represented to meet with national minority companies that come in for the conference so that they have an opportunity to discuss what subcontracting opportunities there will be with these 29 companies.

Mrs. KELLY. Ms. Ratner, I'm going to bring you into this at this point just because you, and also a man we're going to hear from, Mr. Paul Lumpkin, both have mentioned the fact that you feel that there are not enough tools available for small businesses under a consolidation or bundling situation. Do you think that this Phoenix program sounds like something that will be of help?

Ms. RATNER. It sounds like it definitely will be of help. It will be of help. What we're finding now is that women and minority businesses are utilizing technology much more, and e-commerce, to do business. I think it does sound like—yes, I do think it can help, but I think that there are some basic issues that each Federal agency must address before procurement opportunities will in fact be available.

I think that SBA has worked diligently to establish those tools for business growth. And I wanted to respond to Congressman Rush's issue. The SBA has an excellent micro-lending program and a Micro-loan Technical Assistance program. From our perspective, we feel that you have to tie the loans with the technical assistance or it isn't going to work. And I think that the SBA has put money into, with your help, both micro-lending as well as technical assistance. And I think we do have the tools in each of the government agencies but I think that there are certain practices that need to be followed. Among them, both the technology and making it as accessible and available as possible.

One of the problems is that small, minority, and women-owned businesses are on supply schedules, for instance, with GSA. It really is difficult to do that. And yet there are some other opportunities

that can be established. We do not have the numbers in the supply schedules so that the small or women and minority business owners can take advantage of the Federal procurement. But there needs to be focused outreach, there needs to be targeted solicitation on the part of the various agencies—a mentoring system would be great if we can have it working effectively—straightening out some of the certification issues around 8(a) and SDB and the DOT, DBE requirements as well as the private certification, so it isn't of an enormous cost to the small businesses and difficult to access, and to develop the partnerships with organizations like ours and the SBDCs and the procurement centers so that they're working in tandem, which is what you are now doing.

And then the issue of accountability is another tool. We can hold the system accountable for delivering results in some ways. But GSA, for instance, has a regulation that was established in 1994. Julia Stash, who is now chief of staff to the mayor of the city of Chicago, was deputy administrator of GSA at the time. She established a program monumentally important where prime contractors were bidding on future Federal contracts. The GSA measures their past performance in meeting the Federally mandated goals, subcontracting goals. That's not been done before. That's the form of accountability that needs to be established. And then there's the accountability that you, as Members of Congress, ask from the Federal agencies. How are you meeting your goals?

Mrs. KELLY. Thank you. One other aspect that you just brought up. Ms. Sandoval, I'm wondering about, if there's any way you are able to help minority-owned businesses obtain access to the Internet. It does us no good to have all these wonderful electronic links if I as a minority-owned businesswoman am so busy running my business, I don't even own a computer, let alone know how to run a computer, and can't access this. What are you doing to—do you have anything out there to try to help those people?

Ms. SANDOVAL. Yes, we do. We—actually in our business that we have recently done to the—in informing them of the progress of our work, we established an electronic commerce course that we are actually going out and presenting in the field through our centers and through our regional offices. One of the things that we found, Senator Bingaman and also Congressman Ford both asked us to do presentations in their particular districts. And one of the things that we found is that, like Senator Bingaman had also mentioned to us, is that we're finding that rural communities particularly and inner city, for example, are having the same problem. They are more excited about the fact that they ended up with a fax machine. And if they're happy about getting a fax machine, we have a problem, because our community should be taking a look at, if they don't have a computer now, they are already way behind that.

So one of the things they've asked us to do is to continually go out and inform the public of the electronic commerce initiatives that are moving, the electronic commerce, the technology side that needs to be well-communicated to rural minority communities and small businesses to bring them to the level that they need to be to better improve their business opportunities. Everything is moving to the technology side, yet from a community perspective, we haven't really gotten the business community all there yet. And

there was a recent report that was done by the Department of Commerce, it is called Falling Through the Net, and some of you may have received a copy of that. It's called the digital divide, and it provides the information on particular communities in the United States that have fallen behind in having the access to the Internet.

Mrs. KELLY. Thank you very much. Ms. Ratner, I wanted to ask you another question. You talk about certification. It's been my experience in listening to the small businesses, especially minority owners in my area, that there is some problems with the certification program. I'm wondering how you would improve that certification program.

Ms. RATNER. I would agree there are problems. Right now, one of our women-owned businesses, a client of ours has one person on staff full time to do nothing but develop her renewals for certification for all of the various agencies in private sector certifying entities that are required for her to do business. That's ridiculous. I mean, she has 40 certifications. So the issue is there are two national entities now from the private sector side, the National Minority Supplier Development Council (NMSDC) that has chapters throughout the country and now, the Women's Business Enterprise National Council, which is relatively new, just two-year-old national council very similar to the NMSDC that's doing private sector WBE certifications. You've got a private sector NBE certifier and then private sector WBE certifier. And we're thrilled that, kudos to Dr. Hayes in the SBA, that those certifying entities are now going to be able to do their certification in conjunction with SBA and SDB certification, small disadvantaged business certification.

The problem is if there—and we're working on it in Illinois—it took us ten years to get one uniform certification application form. Now, we're working on the whole concept of universal certification and reciprocity. The idea that since most of the certifying entities require pretty much the same data, SDB and DBE require some additional data which can also be provided. But if we can use that certification, if it's NMSDC, if it's our WBEN organization, it's rigorous, it requires site visits, it requires annual renewal, it's a system that is, I think, clear, good and protective of the legitimate women- and minority-owned businesses. But if they've got to have one person on staff to do nothing but certification, it's really pretty crazy.

Now we're adding the issue of certification for Federal contracts, which I, by the way, agree with. I think that it is really critical that in order for us to have the women and minorities and small businesses that are under-served or have less access to these opportunities, they need to be—SDB's, MBE's, WBE's, whatever we want to call them in the States—they do need to prove that they are in fact qualified to do this work or not qualified to meet the rigorous standards, that's important. However, if we have a universal certification and then find a way to do Federal, state, local, and private sector certification, put it in a package, add some additional data to it based on the requirements of the various entities, it will make a big difference again.

Mrs. KELLY. Thank you.

Ms. RATNER. Is that the answer? I mean, is that what you were leaning to?

Mrs. KELLY. Well, we're not playing teacher-student here. [Laughter.]

Ms. RATNER. I wasn't sure if you were asking if there's a way to resolve the problem. I guess I was asking if you're talking about the issue of fronts.

Mrs. KELLY. Yes.

Ms. RATNER. Okay, that's another issue entirely. I think certification is required for that.

Mrs. KELLY. Yes. You gave me the answer I was trying to find out, because I think people here need to know how to become certified and need to be able to do that in a more streamlined fashion, perhaps.

Ms. RATNER. We're now doing that on the Internet also.

Mrs. KELLY. That's great to know. And that kind of takes me over to Dr. Hayes here. Dr. Hayes, I want to ask you two questions that arose in my mind from reading Ms. Ratner's testimony. One is that she's talking about confusion and dissatisfaction of small business owners about the Federal Government's new requirement of small disadvantaged business certification. And I think there is a lot of dissatisfaction, and some of it stems from a good deal of just confusion because there's a lot of things out there. If I look at the last part of your testimony, your recommendations—I lost count, I hadn't counted up here. At any rate, you've got seven or eight, maybe nine things at the very end here of things and you say that people should do, small firms should undertake entrepreneurial networking, government should apply diversity, marketing, they should exploit government resources and so on, they should attend procurement seminars. Well, you know, I don't know if you've ever owned a small business or ever were a small business, but I can tell you that as a small business single entrepreneur, I don't have time to do all that stuff. And my concern is how do you get to me? And how do you tell every single person in this room how to access what you're recommending?

You're saying we should, but as small business owners, how can we when we've got to make a profit? We've got to make a profit, otherwise we don't put bread on our tables. And I find that that's one of these disconnects that Ms. Ratner's talking about. I have found that in my own personal life. Can you answer that question?

Dr. HAYES. I can try. Fortunately or unfortunately, the world is a very competitive world. SBA has more than a thousand outlets around this country in terms of ways that we sort of serve small business. The Federal procurement market is becoming a very, very complicated procurement market. There are certain things the small businesses, be it women-owned businesses or minorities, are going to have to do in order to compete in the Federal process. A large part of contract opportunities come across because firms network, they get together, they become part of associations, and if women-owned businesses and minorities are not part of that process, they're giving up opportunities. If small businesses don't become e-commerce-enabled, they're giving up opportunities.

Last year, the Federal Government spent \$8.5 billion using credit cards. If small businesses don't take credit cards, that's a market you are giving up. So it's very competitive worldwide.

The government can do a lot of things to help small businesses get ready. We have a variety of centers. We have training opportunities. We have websites. We have, you name it, it's there for small businesses to take advantage of. And we want to keep on doing those things. We can actually make our processes simpler, easier, certification and so forth, I agree wholeheartedly. And we try daily to in fact do that. But it's got to be a two-way street.

We can talk about the opportunities. We can sort of use things like Phoenix and PRO-Net and schedules. For example, 70 percent of the companies on the schedules are small businesses, but a third of the dollars go to small businesses, so once you get on the schedule, it's not the end of the process. You have to then go market your services to every single agency in the Federal Government.

So, again, let's take advantage of the opportunities, get the certifications, information, it is just a key to being engaged in this process. There are so many opportunities there. But if you're not sort of actively out there, I know it's a problem. And we've got to figure out a way to solve the problem. But it's information, it's knowing where the contracts are, especially in the private sector.

All large prime contractors have requirements to subcontract with small businesses. But you have to basically go to them, sell your wares, become a supplier, show them you can in fact do the work. It is the only way you in fact are going to be part and parcel of the process. The Small Business Administration has signed a deal with Bell Atlantic—for \$1.8 billion in contracts for women and minority businesses. GM, Ford, and Chrysler, \$3 billion. But again—and we make these opportunities available to small businesses, but you have to go present your opportunities, you have to be certified, you have to show that you can in fact meet the high level of quality standards for them to in fact provide contracts for you.

The GM, Ford, Chrysler arrangement, we've all received about double of what we talked about in terms of the agreement. So they are providing opportunities out there. But again, the small businesses have to make themselves available. Unfortunately, they have to go to the conferences, they have to network, they have to take credit cards, they have to become e-commerce-enabled if they are going to be able to compete in the Federal and the private markets that are out there.

Mrs. KELLY. Thank you very much. At this point, I'm going to turn to my colleague.

Mr. DAVIS. Thank you very much. Thank you, Madam Chairman. Let me also thank each one of the witnesses for your testimony.

I've always had a great deal of respect for school, and so I want to just commend and congratulate you and your colleagues, Mr. Cowen. You mentioned the fact that you hold these seminars for small businesses. And yet in terms of the numbers that you suggested, the 10, in my mind, those are rather meager. Would you say that they were meager and then if you would, would you care to maybe give a reason why so few people are taking advantage of the opportunities that your organization provides?

Mr. COWEN. I suspect—I don't know this—but I suspect that a major part of it is not recognizing when the workshop is going to be held because of the difficulty in gaining the publicity, the announcements. I know that the Chicago chapter does a very substantial mailing and makes many attempts to get publicity through the publications and the competition for that free time, because obviously the funds aren't available for purchased advertising. The competitions with the free time is difficult.

Mr. DAVIS. I just wonder if we're at a point where people have so low confidence in some of these processes. I mean, every place I go I hear small business crying about what they can't get, what they don't know, what's not there, what's going on. And yet you tell me that you are in these seminars and that you get eight people who show up or ten people. I'm saying it just sounds kind of contradictory to me in the big scheme of things in that somehow, something isn't clicking, some way or another, unless something is just wrong with my logic. I mean, you know, I could be illogical also, but I just wanted to ask about that.

Let me move on. Hedy Ratner, to those of us, many of us in the Chicagoland area, I mean we call you Ms. Women Business Development and Ms. Small Women Development, any kind of way. I mean, we appreciate the kind of advocacy and the tenacity that you have displayed in this area for a number of years that I'm aware of. And you mentioned in your testimony that there are concerns about government streamlining procurement and the impact that has on the ability of small businesses, minority and women-owned businesses, to do business. Would you amplify that for me real quick?

Ms. HATNER. Well, it's not just the Federal issue, it's as what you were saying, this is a very competitive world in procurement today, both private sector and in the public sector. And corporations, Federal Government, state government, local government, I'm looking at consolidating contracts. There are larger contracts that have added values that are required of inventory, product, of being able to provide instant delivery of providing the kind of services that small businesses can provide but not in that bulk, in that mass. And that is I think the major issue in terms of when consolidating contracts, you do contract bundling. When you reduce your vendor base, you're really excluding some of the smaller women and minority and small businesses. There are ways of dealing with it, you know, second-tier contracting, subcontracting opportunities require at the Federal level an enormous amount of monitoring and compliance to make it work. And that's an investment that I think the Federal Government must make if they're serious about putting really women and minority into the procurement process.

Mr. DAVIS. Are you saying that it's kind of like locking the door, saying I want you in?

Ms. RATNER. Yes.

Mr. DAVIS. But you don't give me a key? [Laughter.]

Ms. RATNER. Right. I could never say it as poetically as you.

Mr. DAVIS. That sounds kind of contradictory to me again. I'm saying if you lock the door, you know, and say I want you to come in, but I just don't have a key for you. I mean, you got to break in. Chicago's finest will probably lock you up if you do and they

may even brutalize you in the process, I mean, or some other things would happen.

Ms. RATNER. It's true. I mean, there are ways of dealing with this, it's happening in the private sector as well. I mean, there are tools that can be developed to be inclusive. Richard Hayes just mentioned something that I have in my testimony. \$8.5 billion are spent by credit card and every Federal agency, every office, every director or manager of any office in the Federal Government has a credit card to spend. Why isn't that being spent for small businesses and minority and women-owned businesses?

It's a simple process, but the problem is you've got a credit card, you go to Wal-mart or you go to Staples, you go to Office Depot. What happened to ABC minority-owned office supply company? Well, they need to have access to as much information as possible about the minority and women and small businesses that are in their area for where they are buying. If we could have that be a requirement at the Federal level, we'll meet our small business goals at, what is it? 23 percent small business goals at the SBA, 5 percent goals for minorities and women, 5 percent for minorities. We'll be way beyond that. Just with the credit card. And then you don't get into the supply schedules and then you don't have to get onto the Internet in that case.

What you have to do is be available to sell to all of the Federal agencies. That's \$8.5 billion, the printer and the PR person and the advertising agency and the graphic designer and the janitorial supply, whatever. That is a way, so what you're saying is, all right, the government is saving money on consolidating the contracts through streamlining. And you're streamlining the procurement process, but let's find some other vehicles that we can use to bring us back into the process.

Mr. DAVIS. Well, let me ask Dr. Hayes, because even, you know, I've been told that Voltaire suggested one time that the purpose of government in politics was to take as much money as you can from one group of people and give it to another group. And you know, Voltaire was a great French philosopher, and maybe we're using some of the Voltairian concepts even today.

But Dr. Hayes, let me ask you, and I don't think there is any lack of information awareness relative to my respect, admiration, and affinity for Administrator Alvarez, the Administrator of the Small Business Administration, and the work of the administration in terms of trying to carry out its mission. We've had Ms. Alvarez here a couple of times. We've had Fred Hockberg here. We've interacted a great deal. They've been through the community and we've worked with not only the agency but the Chamber of Commerce and with tremendous renewal here. Comments like the one that Ms. Ratner just made relative to streamlining and relative to the processes, the rules that you have to work under, what goes on in your mind? I mean, how does that impact you? How do you try and respond to that in terms of working through these notions about the impediments that exist?

Dr. HAYES. First and foremost, I think back to what my job is, and I work for the Small Business Administration. I've been before this Subcommittee which cares about these issues. Small businesses are an integral part of our nation and society. They are an

integral part of the government procurement process, and it makes us want to figure out ways to redouble our efforts to make sure the small businesses are in fact going to be continual players in that process.

Our contract bundling regulation has plenty of rules, which was the subject of our recent hearing. Again, we apologize for the rules not being out, but we think it will be one tool that will begin to help us address the issue about when is it proper and when it is improper to in fact contract together certain procurement opportunities. It doesn't always make sense. Our PCRs are very diligent about looking for procurement opportunities and being very aggressive. And when an agency wants to bundle the procurement and basically act to the detriment of a small business, we are very concerned about that. We have assisted the expansion of the use of the credit cards. Some agencies want to increase the purchase levels. Until we understand where the credit cards are going, where they're buying from, we're going to still be against that.

We think there needs to be a way, that small businesses can in fact play throughout their entire process both as tier-one suppliers, and tier-two suppliers. The contract bundling rules allow, for example, for the small businesses to affiliate so that they can in fact take on the larger procurement. We have begun to work very closely with the capital access part of my organization to provide financing for government contractors who in fact want to handle the larger procurement, because one of the first questions that we get asked by the agencies, okay, if we get for you this procurement, can the firms finance it? And we say immediately yes, yes, yes, yes. And we're going to keep on trying to find ways that we can in fact address these kind of issues, technical assistance. So there are a variety of things that we think we can show that the small businesses can be as competitive. NASA is a very good example. NASA has 8(a) companies, minority firms, that are building components of the space shuttle. They didn't pick the cheapest contractor, they picked the best contractor.

And there are lots of examples of women's businesses, minority businesses, small businesses that in fact can give the government value for its dollars. They just have to want to do it. And our job at the Small Business Administration is to convince prime contractors and other Federal agencies that there is a wide cadre of people that can meet their needs and meet it in a cost-effective fashion. So, with intelligence and a very dedicated staff, we're going to do as much as we can to make this a fair holding.

Mr. DAVIS. Yes, I was just thinking when I was a kid that my mother was a serious taskmaster—taskmistress. And she would demand that we do things and we had to do them according to her rules and there was no getting around them. Eventually, my brother and I decided we'll have a little pow-wow, and we got together and we decided we would confront her and say, "You know, we know that you want us to read. We understand that, but you know, we really can't read if we ain't got no book. Then we just can't do it. I mean that we've tried everything we could think of, but it's just not working."

I'm afraid that some of the processes that our government, and I'm not, you know, laying that on SBA, because I think it goes be-

yond that. I think that in some instances it just seems to me that when we come up with plans that don't work, then at some point we have to acknowledge that and say this isn't going to work for this purpose. It may work for another purpose, but it's not going to work. I mean, I think it's appalling, to be very honest about it. It has nothing to do with SBA. I think it's a tremendous indictment on our nation.

Have you ever considered the fact that women make up half the population, more than half the population in this country, that we can't figure out a way? We say we want to do it, we are writers, we didn't say that's what we wanted to do. But then when we say we want to do it and we can't find a way, we're going to probably hear testimony where there are some states in all where people don't get nothing. Absolutely nothing at all. I mean, that is amazing to me, that "America, my country, 'tis of thee, sweet land of liberty, of thee I sing," that we have just not been able to move as rapidly as I think we're capable of moving towards some of these goals.

I just got one other question, Madam Chairman. Ms. Sandoval, you mentioned the Phoenix system in terms of matching potential businesses with business opportunity. Have we been able to determine how effective that match-up has been in terms of people who actually end up getting contracts, doing business as a result of the connection?

Ms. SANDOVAL. This is something that is our question also and is the next phase of implementation for the system. We're at a nine-month period and by next year, we hope to have that implemented so that we can track and monitor the number of actual contracts that are made. We currently can do that through our centers because our centers are on a performance database and can actually report that online. But they do have a plan that has completed a match. But that doesn't compensate for all of the ones that are outside of the centers and have not actually come in and have responded directly via the Internet.

So that's actually our next phase, and we hope to have that implemented through the next fiscal year so we have some numbers to actually show of the successes of the contracting opportunities.

Mr. DAVIS. Thank you very much and thank you, Madam Chairman.

Mrs. KELLY. Bobby, Congressman Rush.

Mr. DAVIS. We're so informal. We all work so well together. Actually, I'll have you know that Representative Kelly, who is a member of the Republican Party, who is a member of the Republican caucus on the Republican conference, we have a tendency to work in a very nonpartisan kind of way. I mean, we just work on issues, and Sue and I have worked together on many items on our committee and in our committee and it's just a real pleasure to work with her. So that's the part of the informality that you are experiencing.

Mrs. KELLY. Bobby, with your good grace, may I just add one more thing. I want you to know what a wonderful Congressman you have, because this is a man who is driven by his concern for good public policy and not politics. And that's a big difference for a lot of people in Congress and all of you. He's looking for good gov-

ernment, he's not looking for politics. So, yes, we do work well together, because I think he's a fine man and I feel the same way about Bobby.

Mr. RUSH. Well, I tell you, I want to associate myself with the remarks that my colleague Danny Davis made regarding Sue Kelly, one of the most outstanding Members of Congress. And I want to associate myself with the remarks of Sue Kelly toward my colleague Danny Davis. [Laughter.]

So I concur with both statements. And I want to associate myself and thank you very much for the remarks that both of you all made about me. [Laughter.]

Now, I have some concerns and some interests here, and I indicated one of my concerns was the availability and the services that the SBA provides for low and very low-income individuals. But before I get to that, I'm interested in, I'm a part of the Commerce Committee and as a representative of the Commerce Committee and I know that we've had some deliberations in the Congress, this might be an area that you can address or you might not be able to address but we've had some deliberations and some concerns about some—by Phil Gramm, who is one of the Senators, as it relates to this Community Reinvestment Act. There are some indications by some of our colleagues in the Senate that they want to alter the Community Reinvestment Act. And I certainly feel it's always part of my responsibility, being on this conference committee, to protect the Community Reinvestment Act. And I just wanted to ask, maybe we can ask Hedy this, when I was a member of the city council on a lot of different issues, I want to ask is the Community Reinvestment Act, is it all that we need? Can it be amended to better serve? Should it be broader in terms of businesses? And do you feel it's something that's worthwhile at this point in time?

Ms. RATNER. Yes, yes, yes, and yes. CRA is really critical and it's had a most important impact on housing development, especially in disadvantaged communities—but now that it includes commercial lending and it includes community reinvestment, it has had an enormous impact in changing access to capital for small businesses, especially for minority and women-owned businesses and small businesses. Absolutely, it's critical.

Is it well-implemented today? I think it is well-implemented. I think that some of the financial institutions do it better than others. Right now in dealing with bank mergers, I think by 2000 we're going to have one bank, The Bank in Chicago. I mean—[Laughter.]

Mr. DAVIS. We've got a big one already, so now it's just going to be The Bank.

Ms. RATNER. The Bank. All right. So we have the problem of mergers, and what that will mean is you've got credit-scoring issues. That's changed CRA issues. Credit-scoring needs to be reviewed so that we can evaluate who is doing a good job, who isn't doing a good job on community reinvestment and that their evaluations are based in part upon that. And if we can get a sense of what kind of initiatives are necessary to improve the access to capital for minority and women-owned businesses right now, you can't collect data on race or gender in loans.

So, yes, I'm very concerned about what is being attempted. I think it's very, very important that we have a strongly supported CRA and hopefully that we can increase the information that we have so that we can in fact evaluate how the financial institutions are doing for our communities.

Mr. RUSH. Thank you. This past summer, I've had two hearings, town hall meetings, on the Y2K problem. I've been inviting small businesses to these, actually they are workshops, on the Y2K issue. Dr. Hayes, I found as a result that the SBA is very aggressive in terms of its Y2K mission, but I've found at the same time that small businesses aren't aware of the problem. They are not aware of possible solutions to their problem and they are not aware, most importantly, of resources that are available to help solve the problem. Can you tell us or explain to the panel here and to those who are gathered here about the SBA initiatives, and how do you feel we can get this message out and about, becoming Y2K compliant before it's too late?

Dr. HAYES. We are very, very concerned about that and as you said, and I appreciate those kind words, we've been working very, very aggressively to educate all small businesses about the Y2K problem. We've held several national Y2K days with very large corporations across the country through the graces of the Congress. We are able to provide special loans for the small businesses to fix Y2K problems. Unfortunately, the uptake has not been as great as we've wished that it was or that it is. Those loans are available now and will be available for the next year.

We are working with other organizations to, again, educate small businesses, but the reports that come back say that small businesses just are not as wary of the potential problems if they are not taking steps to in fact get there. We work very closely—here's a good example—with the Department of Commerce through their centers around the United States where small businesses can in fact go there, can get assistance and help in a variety of problems. The other SBA outlets are also providing assistance.

So I would encourage, you know, whatever you can do to help us to get the word out. We think we have the tools, but it is a serious issue and a concern that needs to be taken seriously to prevent any problems one day at the beginning of the century.

Mr. RUSH. Well, it seems to me from these workshops that small business owners don't believe that there is a real problem and they also don't believe that, I mean, the problem they might, their businesses might be Y2K compliant but their suppliers' businesses might not be Y2K compliant. Or the down line from themselves all the way down to the suppliers or to some other entity down there, they might not, and so we would have a real problem, they would have a severe problem if their down line of associations are not Y2K compliant. And I just, for the life of me, want to try to get the message out that all small businesses should look at this problem and should try to come up with some remedies and get in contact with the Department of Commerce.

Okay, she's waving. She's got something there that she's holding up.

Ms. SANDOVAL. It's the Y2K Management Challenge, the CD-ROM that's going out to all of the communities through our cen-

ters, and it is the piece that we use to communicate the potential problems that you may have with Y2K, an educational program. And we've mailed out, how many? 43,000.

Mrs. KELLY. And it's in English and in Spanish.

Ms. SANDOVAL. And in Spanish.

Mr. RUSH. Well, that's good to know. You mentioned loans. And I was astounded and now even—that there are loans available for people to become Y2K compliant up to \$750,000?

Dr. HAYES. That's correct.

Mr. RUSH. And then from what I understand, the requirements aren't that cumbersome to be loaned out, you know, to sign the first loan over to the government.

Dr. HAYES. That's exactly correct.

Mr. RUSH. That even the computer systems that the small businesses own, that computer system can be augmented, retrofitted, or somehow redesigned to become Y2K compliant or in some instances, a business owner could just purchase a new system.

Dr. HAYES. That is correct.

Mr. RUSH. They're willing to become Y2K compliant. Can you explain more about funding availability to all those loans?

Dr. HAYES. Again, the loan through the graces of the Congress, the bill was passed last year. We've been working, we actually put the regulations in effect in 30 days from the time they were passed by the Congress, again, to get the word out about the availability of loans. Our district offices, our various SBA partners are aware of these loans as they're going around helping small businesses. They're doing counseling and advising them of those various products.

This—overall, it's been working extremely aggressively. GAO, for example, just did a report on the state's compliance with respect to Y2K problems. And John Koskinen at the White House did a great job meeting with the computer manufacturers, the banks and everyone, basically making sure that the entire system in fact is addressing these issues. We haven't done enough, we'd like to do more, because we think it is a serious problem that people should take seriously and anything that we can do jointly with Congress and our other partners, we think it's something that should definitely be done.

Ms. RATNER. Can I respond to that a little bit? It's coming in keeping with what Representative Kelly said. Danny said, we've got all of these workshops and nobody comes. Well, businesses that are struggling, especially the businesses that we are really concerned about, they're the small businesses, they're the emerging businesses, the minority and women-owned businesses that are just making it. They don't see the need to come to a class on cash-flow projections. That's part of it. I mean, we do workshops and they are usually pretty full. But we also know that we work really hard at it. Outreach.

We can't blame SBA for people not coming to the workshops that they provide their support for. We can't blame them for not doing the loans, because I mean, when we advise our business centers, we don't advise them to borrow money if they can avoid it. Now, even if the money is available, even if it's accessible, even if it's at

low interest, it's still borrowing money and it still requires a debt service.

So it's easier to be in denial than to take a \$750,000 loan for all new equipment for their small business. It's easier for them to struggle with their cash flow than to come to classes at the SBDCs and SCORE. What you've done in Congress and what SBA has done and what the Department of Commerce has done is working at providing the tools necessary.

Now, I also talked about other tools that aren't available because when you say you close the door and then you say come in. But the issue is how do we get to these small businesses to make them understand that it is, you know, it could be catastrophic without scaring them. So, that's the same thing as closing the door and saying we want you at the same time.

You know, you've got a small business, it's got a major problem with Y2K and they're going to have a major problem, they probably got major problems in their business and they are not too comfortable taking out a loan. So, it's a problem. The other is getting the information out to as many people as possible.

Mrs. KELLY. I just wanted to say that the Y2K loan bill was one of the first bills enacted in this Congress and it was this Small Business Committee that put this through, and we got it through the Senate and it was passed for Easter of this year. So we'd been working on the problem but I want to thank, we need to move on and I really do want to thank all of you for coming and being witnesses for being here. It's been very interesting, and I thank you very much and we appreciate your testimony.

We are going to move on now to the second panel. I'm going to call as you arrange your order again. And we are now in order again and I thank everyone for being here. I thank the second panel for being here and being with us during the first panel. I saw some of you in the audience. I hope that was helpful because certainly your testimony addresses some of the things that were brought out.

I now will turn to Congressman Davis, who has I believe a motion.

Mr. DAVIS. I have a unanimous consent request, Madam Chairman. If we could enter into the record testimony that is presented by the Cosmopolitan Chamber of Commerce, who is a local intermediary for SBA. And they didn't want to give oral testimony but the Chamber of Commerce is the oldest African-American business group in the city of Chicago and Ms. Quancel of Oakwood has received the Outstanding Advocate Award for Small Businesses this year. It is presented in this testimony, and I'd like to have it inserted into the record.

Mrs. KELLY. So moved.

[The material may be found in the appendix.]

Mr. DAVIS. Also, there is data that Ms. Audrey Davis, we actually ended up getting this from her from the National Coalition of Minority Business Organizations, that I'd also like unanimous consent. Its title is SBA Loans to African-American Women-Owned Business by State. And I don't know how they compiled this data or exactly where it came from but I assume that it's accurate and if it is, it is absolutely atrocious because it shows several states

that no African-American women-owned business received one contract or one loan. That is incredible and I certainly want to end up reviewing this data and its sources well because if it's accurate then I think something is really amiss in some of those locations, even more so than in the city of Chicago and the county of Cook.

So, if this could be inserted into the record, I'd appreciate it.

Mrs. KELLY. So moved.

[The material may be found in the appendix.]

Mr. DAVIS. Thank you.

Mrs. KELLY. Let's turn now to our—oh, you can't hear me? Let's see what we can do here. Can you hear both of us in the back? All right. Good.

All right. We turn now to the second panel. We're going to begin with you, Ms. Charlotte Harrison-Smith. She is president and CEO of Millennium Data Systems, Inc. Ms. Smith.

**STATEMENT OF CHARLOTTE HARRISON-SMITH, PRESIDENT
AND CEO, MILLENNIUM DATA SYSTEMS, INC**

Ms. HARRISON-SMITH. Thank you. I'd like to first thank Chairwoman Kelly and Congressman Davis for having me here. I wanted to thank Congressman Davis' staff and Congressman Jesse Jackson, Jr.'s staff. They played a key role in me participating here today. I hope that I don't get anyone in trouble, that's not my testimony here today. I do believe that the SBA can be a viable tool for small businesses but at this point in the program, for me, I believe that something is wrong, and I just don't know who to believe at this point.

In 1997, we received our 8(a) certification from the Small Business Administration. It was and still is our understanding that the SBA's program is a program of business development and not just certification. From the very first day that we became 8(a) certified, we had participated in numerous conferences sponsored by the SBA. We have enrolled in the online bid notification engines available as well as visiting the Women's Business Development Center to discuss procurement systems with them and to make sure that our firm is on their bid notification system.

The Women's Business Development Center really instilled in me that the SBA 8(a) program was a business development program and not just a certification program. I was mindful of the constant reminders that most people go through the entire nine years of 8(a) certification without ever receiving an 8(a) contract. And we're not—for contract procurement. Nevertheless, I believed that if we were aggressive and worked hard, that we could have 8(a) opportunities. I've focused my marketing efforts on several other Federal agencies in Illinois, such as the EPA and Argonne National Labs. However, I quickly found that with the budget cuts, there were no opportunities available.

I've developed my list, my marketing case list, from Internet information and handouts. However, I needed more help and, therefore, I decided to attend more conferences. Most of the SBA conferences usually have a small fee to between \$40 and \$45. I thought that I was being more selective in only going to the ones that promised discussions with contracting offices, but even then I realized that no real business was conducted at the conferences. I

continued to bid on local and Federal and found some success in open bids under the umbrella of GSA and we have some others from all Federal contracts, but none of them are 8(a).

Most of the agencies that I've contacted have already awarded multiple-year contracts to other 8(a) firms, and these firms were senior firms usually in transition, I want to put that in. In the first half of 1999, sometime in April, I contacted my business opportunity specialist, Ms. Linda Parker, to request specific assistance in securing new business. I was very clear in communicating to her that our firm was experiencing duress and needed contract assistance. She stated that the SBA does not help firms obtain contracts but she could point me to the Commerce Business Daily to review open requests for services. I was already visiting CBDNet daily and I had submitted bids on several projects. I needed more specific help in marketing and securing meaningful contract participation.

Out of frustration, I began calling other SBA offices around the country. I spoke with Ms. Birdsong out of the Dallas office and asked what should I expect from the Chicago SBA office? She confirmed that the SBA does not have contracts. However, she stated that my business opportunity specialist could provide me with a list of other 8(a) firms in Chicago that do similar types of business and have received 8(a) contracts. She also stated that the opportunity specialist could provide me with the name of the agency that made the award, the name of the contact at that agency, and the date and amount of that award. She stated that this is the information that we should use to develop our list of customers to whom we would market our services as an 8(a) firm since these are the agencies that have shown the willingness to do business with 8(a) firms.

In addition, she stated that there is a procurement representative and a commercial market representative assigned to each SBA office. Their jobs are to maintain a review of prime contracted compliance with subcontracting rules and to obtain subcontracting opportunities within the commercial markets. She stated that these representatives should also be able to provide me with a list of their contacts or to at least provide copies of my brochures to their contacts.

I also contacted a procurement center representative from the Indiana office and she referred to the procurement center on South Michigan Avenue here in Chicago. I submitted a written request to the Chicago office to receive a list of all 8(a) firms in the entire Chicago portfolio that provides the same services as we do. I listed our primary zip codes, which are basically IT services and stacking, and I also requested a list of the agencies that support the firm identified in my request with 8(a) contracts. I requested the names, titles, addresses, telephone numbers of the contract officer, the name of the agency awarding the contract, the date of the award, the dollar amount of the award, and the name of the small business development officer for the agency along with the name of the 8(a) firm receiving the award.

The request was submitted as a Freedom of Information request via registered mail, return receipt requested. Mr. Connor and Linda Parker followed up with me to advise me that my request was somewhat burdensome on their staff, given the organization

and the manner in which this information is stored and the lack of staff and manpower available to respond to the request. Mr. Connor also felt that my purpose of seeking this information was limiting and that I would be better served to request this information from the procurement information center database. He stated that he would provide as much of the information as was available, but he did not believe that they maintain the names and contacts of awarding agencies because that information was in a coded format.

I properly prepared a request for the center and forwarded that request to the Washington office via facsimile. I was extremely grateful for the information that I received from Ms. Birdsong in the Indiana procurement center but I was equally upset that I had to hear this from Dallas and Indiana and not from Chicago.

I began to review other aspects of the 8(a) program and I noticed that the 8(a) regulations state that during the transition years, five through nine, an 8(a) firm should significantly decrease the amount of 8(a) business in its portfolio. After doing a search on PRO-Net for 8(a) firms in Illinois—there were minority and female-owned that performed health services—I found Millennium Data Systems and Gray Personnel.

Gray Personnel was scheduled for graduation from the 8(a) program in January of 2000. And she is also mentioned in the deputy director's statements. However, during my marketing efforts at GSA, I remembered that one of the contracting officers mentioned that Gray Personnel had been awarded an 8(a) contract for health services. It was also my understanding that the contract also contains several option years. I have not been able to confirm this information because my Freedom of Information request has not been given back to me yet.

Mr. Steven Smith asked Mr. Connor and Ms. Parker about 8(a) awards to firms in transition. Mr. Smith is our director of business development and corporate secretary. Mr. Connor replied to him, "You know, even if they do go over the limit, what am I going to do? Kick them out?" And this left the impression that there was no serious attempt to enforce the rule of transition. Now, if a bank makes a mistake and gives you a check for too much money and they figure out their mistake, they'll come back to you and try to get that money back.

The rule of transition is just as important for business development as the initial 8(a) award. If the SBA does not motivate 8(a) firms to limit dependence on 8(a) contracts prior to graduation, those firms are more likely to experience severe fluctuation in their business volume than the firm that has a balance in their whole business portfolio. Monitoring and enforcing the rules of transition are important business development activities.

And I believe that the 8(a) program can be strengthened in several ways. One, provide a list of all 8(a) awards made each month on each local office's website and include the agency making the award, the 8(a) firm receiving the award, the length and value of the contract.

Institute open competition for all 8(a) awards that come into the office that do not target a specific firm. This should be similar to the process in place at GSA where at least three vendors are re-

quired to submit quotes for certain types of jobs. Include a list of all prior 8(a) awards for 8(a) firms in transition. Monitor firms in transition for compliance. Provide documentation for awards that are redirected to 8(a) firms other than the firm designated on the initial award information. Limit the number of firms that one business opportunity specialist is responsible for, particularly when those firms are in direct competition with each other. And develop a form of oversight for instances when competing firms are vying for the same contract and each firm has the same opportunity specialist.

In cases like these, all of the firms need to be involved and notified. You know, there's a conflict of interest if the same person is representing, you know, all of those firms. What checks and balances are in place to ensure that an 8(a) participant maintains the recommended balance of 8(a) commercial business during the transition period. The process of awarding 8(a) contracts needs to be more open. Accomplishing award information on a regular basis would help to establish an audit trail of procurement activity that is available for both the contracting officers and other 8(a) firms that participate in the program.

I drafted a letter to Robert Connor of the Chicago SBA office and I copied Representative Jesse Jackson, Jr. and Ms. Evita in the Washington office. In that letter, I expressed my dissatisfaction with the SBA program. Oftentimes, it appears that the SBA exists for the sole purposes of soliciting money from 8(a) participants for seminars and conferences. Mr. Connor and Ms. Parker scheduled a meeting and Steven Smith, our corporate secretary, attended the meeting and spoke at length with Mr. Connor and Ms. Parker. And during that meeting, Mr. Connor and Ms. Parker told Mr. Smith that their office is severely understaffed. Without the staffing information and statistics of the award process in front of me, I cannot fully attest to the accuracy of these statements.

Now, in subsequent conversations I had on speaker phone with Mr. Connor and Ms. Parker, they expressed the same to me also. Many of my inquiries and requests to the SBA office are met with either disapproving on the focus of my request or lack of staff to fulfill the request. Now, I don't know whom to believe, but I want the SBA to be a viable tool to assist our business in achieving its goals. And in order to do that, the SBA office must be capable of responding to the needs of 8(a) firms within its portfolio.

When we hear the total number for 8(a) awards from Chicago SBA office, it's hard to believe that most of it was on construction. If that's true then publish the numbers. Please, publish the awards. Please, let us know what process is involved in determining who receives the contract. We continue to hear that the majority of the contracts that come into the SBA office usually have a specific firm identified before the award reaches the SBA. However, we know that this is not always the case and even when it is, there are instances when the SBA interviews and redirects the award to other firms.

What are the rules for how this works? Does the Chicago SBA office really do \$91 million in 8(a) awards for the last fiscal year? Who received those awards? The Dallas and the Indiana office appear to provide a more even-handed disbursement of 8(a) awards

to the 8(a) firms in their portfolio. The proportion of staff to 8(a) firms in the Indiana and Dallas offices should be equal but certainly not more than the proportion of staff to 8(a) firms in the Chicago office. Mr. Connor stated that the Chicago office has more than 168 8(a) firms in their portfolio, with one full time procurement center representative. Now, if this is true, this is certainly inadequate. However, again, who are we to believe someone is receiving 8(a) awards?

When I received my 8(a) status, I felt that I was finally getting some real assistance. I thought that a Federally-backed program would be different than other certification programs. If the SBA is not a business development program, then just tell us that in plain English so that we can adjust our thinking and move on. But if the SBA is a business development program, then put away the smoke and mirrors and let us see and feel how the program works.

Thank you for all your time, and I do hope that at the end of these hearings, the small business community will have a more open, well-organized and equipped partner in the form of a small business administration.

Thank you. [Applause.]

[Ms. Harrison-Smith's statement may be found in the appendix.]

Mrs. KELLY. Thank you very much, Ms. Harrison-Smith. You obviously touched a chord with the audience here.

Next, we move on to Mr. Wordlaw. Mr. Wordlaw is the President and CEO of Jero Medical.

STATEMENT OF OBIE WORDLAW, CEO, JERO MEDICAL EQUIPMENT & SUPPLIES

Mr. WORDLAW. Yes, Chairman and CEO of Jero Medical. Good morning or good afternoon, I should say. Madam Chairman and members of the Subcommittee, my name is Obie Wordlaw, CEO of Jero Medical Equipment & Supplies, a co-founder of home health care and a lifetime entrepreneur. Jero is a distributor of medical equipment and supplies and a manufacturer of disposable wearing apparel. Established in 1987, certified with every certifying agency in the state of Illinois and Federal Government; also, a veteran-owned business enterprise. Jero has been certified under the 8(a) program since 1994. We are now in our fifth year of our 8(a) program, with no contracts!

In 1997, Jero relocated after 10 years in the North Lawndale area, hoping to benefit from some of the existing economic programs, the empowerment zone, the enterprise zone, the labor surplus area, with no success. Jero is currently located in a newly created HUBZone with 99 percent of its employees living in qualified zip codes. Simply put, we hire from the community.

First, I would like to address these specific questions. Have the 8(a) program and the newly created HUBZones succeeded in achieving their stated objectives? In order for these programs to achieve their stated objectives, fellow agencies must become co-partners with SBA. I know you can produce one or two 8(a) firms or other firms within the economic program that states the program is achieving its goals. However, until these programs reach a larger percentage of its qualified firms with contracting opportu-

nities and business development, the trickle-down effect does not reach the majority of the firms.

Some of the reasons why these programs may not be as effective as intended, my business opportunity specialist has a great working relationship with Jero and provides us with necessary assistance. The fact is my BOS has more than 50 8(a) firms that she must market and assist in business development. How is it possible for one person to effectively market, match firms with Federal agencies and assist me with procurement? When my BOS has almost three times the amount of firms to work with, my understanding is each BOS should have no more than 20 8(a) firms to be effective in achieving the stated objectives.

After five years in the program, I have yet to get a field visit from my BOS. In order for Jero to benefit fully from an 8(a) program and not just become an 8(a) certified firm with an assigned number. The BOS must visit the 8(a) firms and establish a rapport—get to know the firm, their capabilities, what are the firm's actual businesses, what Federal agencies can we match and market this firm to. As of today, JERO is only an 8(a) firm on paper. No contracts!

The HUBZone proposal is to promote economic development and employment growth in distressed areas by providing access to more Federal contracting opportunities, the SBA is supposed to regulate and implement the program. Again, you must get the bandit on the train. And I can explain what I mean about getting the bandit on the train. The Federal procurement agency must become a co-partner with the SBA. [That's what I refer to as the bandit.] In order for SBA to reach its stated objectives. How are you going to get Federal agencies to work with SBA? That is, the Veterans' Administration and the Department of Defense.

As recently as Monday, August 16th, I was told by the Chicago VA Medical Center that they cannot do 8(a) contracts. All contracts are administered out of Milwaukee. What is the purpose of having a buyer at these medical centers? I asked the Chicago VA representative about small purchases through credit cards. We do accept credit cards. I was told that they encourage cardholders to utilize local disadvantaged businesses. However, it is still up to the cardholder to buy it from whatever vendor they want to. I am suggesting that the VA should find out who are the benefactors of small purchases through the government credit cards. How do these Federal agencies, VA and the Department of Defense, find ways to get around this and create these programs, prime vendors, bundling of contracts, credit card purchases, and standardization of programs?

Number two. Have these programs benefited the community in which small businesses are located in which the employees live? Until some kind of sincere commitment is made through partnership with Federal agencies and SBA, only a few people will benefit from these programs.

Finally, again, I have no Federal contracts. I have never had any Federal contracts or grants or subcontracts. Our recommendation, you must hire people to administer and monitor these programs with authority to ensure the success of these programs. You must get the Federal agencies on board with SBA in order to effectively

make these programs work. SBA must cut out some of the paperwork which was mentioned earlier that is required for small disadvantaged businesses. Large contracts must be monitored for subcontracting plans and implementation. Someone must be made accountable to the community to ensure that these programs actually benefit the community groups that it is intended. 8(a) firms must have those field visits in order to be effectively marketed.

Thank you for giving me this opportunity to discuss Small Business Administration in administering procurement and other programs designed to assist persons to start up or grow, an establish businesses. With proper staffing and funding, these programs can indeed work. What is good about this hearing is you are here to listen. And we do expect positive results. I really need SBA's assistance in securing contracts as an 8(a) firm located in the HUBZone.

I will be happy to answer any questions which you may have. Thank you. [Applause.]

[Mr. Wordlaw's statement may be found in the appendix.]

Mrs. KELLY. Next we'd like to hear testimony from Mr. Lumpkin. He is president of the Plexus Scientific Corporation. Thank you for being here, Mr. Lumpkin.

STATEMENT OF PAUL LUMPKIN, PRESIDENT, PLEXUS SCIENTIFIC CORPORATION

Mr. LUMPKIN. Thank you. Honorable Chairwoman, Congressman, it's a uniquely American privilege to be here. This sentiment not only applies to the immediate context but also in a much broader context. Nearly 50 years ago, I was born in this neighborhood. I spent my early childhood eight blocks north of this building.

Looking at the old neighborhood, it is clear that many of our plans and programs have not had the desired effects on our nation. The question you have before you here today addresses a Federal program that has been and continues to be effective. It is a particular and special privilege to participate in such a positive way to increasing the effectiveness of these programs executed by the U.S. Small Business Administration. These programs go generally under the title of entrepreneurial assistance programs and include direct contract assistance to small and disadvantaged businesses.

My company, Plexus, stands as an example of the effectiveness of these programs. Yes, I believe they could be more effective, and so do hundreds of SBA employees who dedicate themselves to helping companies like Plexus Scientific. These public servants have provided as much assistance as possible given the resources available and should be commended. At a minimum, this valuable program should be maintained. However, we should strive to exceed the minimum.

As we head into the 21st century, merger mania has gripped our business sector, which has the effect of substantially reducing the amount of companies for national and international competition. At the same time, we are downsizing our Federal Government, which has the effect of reducing the number of contract personnel, and therefore it should reduce the number of contracts. The net result of this is that the Federal contracts have gotten so large that only a fraction of the competitive pool can effectively compete. This, I believe, threatens our national economy. It creates enormous bar-

riers for the potential new small businesses to enter the Federal contract arena. It also reduces direct contract participation of existing small businesses, the life-blood of the American innovation, creativity, and efficiency.

It is possible that we should consider not only how to make the current programs more effective, but also how to address an even wider community of small businesses and increase the number of small business start-ups from all walks of life. I believe we should broaden the definition of disadvantaged business. I would like to give an analogy of small business. American large companies have gotten out of the R&D business, and that's the one that Plexus participates in. They count on small business for creativity, invention, and innovation. And when a good one comes along, they just buy it. This is much like the blue crab, a native to Chesapeake Bay. Anyone who has spent time in Washington D.C. has had the delicacy, what's called soft-shelled crab in Washington. This is the stage of the crab when it is shedding its shell and attempting to grow. At this point, the crab is defenseless and can be picked up with bare hands. Quite a delicacy and quite easy to get. Small business is the nation's blue crab. We need to nurture and shelter this valuable resource to ensure a long and healthy existence of their benefits.

I would like to summarize my recommendations for the program. I recommend that Congress should review the SBA's funding for Management and Technical Assistance, the 7(j) funding. 7(j) funding is used to build a business structure. Building something out of nothing is exactly what entrepreneurs do. It's what we're all about. And sales is part of this. Sales is what keeps us in existence but building a lasting structure requires a business infrastructure and requires more than just getting a contracting award.

Getting business is only the beginning of a successful business. Performing the job is the measure of a company's capabilities. 7(j) funding should be available for education and consulting needed to develop the internal business infrastructure to support the execution of the business.

In order to properly compete within the Federal market, it costs between 75 and \$250,000 to develop an adequate cost accounting system to be compliant. That funding assistance could definitely come from 7(j), and I have offered examples.

A review of the SBA development/transition strategy is also a recommendation. Current strategy is narrowly defined to address all business types and all development needs. It's too narrow. A more "industry-specific" approach would be fairer and yield better results. The transition strategy of pushing a company along because it's at a certain date in the 8(a) program, it seems to me to be too limiting. It's too restrictive. I think the SBA needs more latitude in how it develops companies and how it helps develop the customers. I suggest that they use a transition strategy that's "industry-specific" along the same lines of the size standard that's developed "industry-specific."

Third, training for Federal contract employees outside of the SBA. My recommendation is that the SBA be chartered to provide training courses on small and small disadvantaged businesses to be offered to all the other agencies. It's enormously time-consuming to

read, to educate contracting officers on how to procure for small businesses. In the contracting process, the 8(a) process, the sole source process, the biggest benefit of that program to a small business is the cost of contracting in the Federal Government is so high. Bidding an adequate bid for a typical engineering proposal, it's going to be between \$20,000 and \$50,000. It's a tremendous expense and sole source contracting and other kinds of contracting, directing contracting support cuts that cost to a third. You still have to go in there, you still have to present your qualifications, your capabilities, you still have to convince someone on the buyer's side that you have something they want and can do a good job, because that's where the rubber meets the road. They're on the hook to give the performance. But the contracting systems program definitely cuts the cost and really helps small businesses. Again, the recommendation for the actual agencies with contracts.

And fourth, a Small Business Impact Statement; the thought is that Congress might authorize something like a National Small Business Protection Act, very similar to the National Environmental Protection Agency, the EPA. The thinking behind a small business impact statement is at the beginning of a program's introduction through Congress, the larger businesses who have the networks, the marketing networks, the information networks, have the opportunity to get at the very front of all of the new programs that are coming along. By the time it gets through Congress the small business participation should be considered, should be advertised and should be made aware so that small businesses have the chance to ramp up the development skills when recruiting the personnel they need to participate.

Again, thank you for this opportunity. It has been an honor to be here. I stand ready to assist in any way I can in the future.

Mrs. KELLY. Thank you very much. [Applause.]

[Mr. Lumpkin's statement may be found in the appendix.]

Mrs. KELLY. Next we have Mr. Sam Johnson, president of Best Metal Fabricators. Welcome, Mr. Johnson.

STATEMENT OF SAM JOHNSON, PRESIDENT, BEST METAL FABRICATORS

Mr. JOHNSON. Good afternoon. First thing I'd like to do as a rule of respect is to acknowledge the Chair of this committee, Sue Kelly, and Congressman Danny Davis, the ranking member of the Subcommittee, and all of the honorable and respected ladies and gentlemen that are here today. Again, I would like to acknowledge Congressman Davis for his effort in bringing this hearing to the black community and giving our community an opportunity to give input into the operations of the SBA programs.

My testimony that I have submitted and that you hear today is a result of a series of meetings and conversation with a broad section of business owners and community people from this area. Included are just a few words on who I am, the owner of a metal fabricating business that is located on Chicago's west side in the middle of an area that is designated an empowerment zone as well as a HUBZone and several other designations, in an industrial quarter in which none of the businesses who have talked with me can seem to find any Federal help. Also, I'm on the board of directors

and serve as president of one of the oldest grassroots community organizations in Chicago, which is having its 53rd anniversary dinner in October, the Midwest Community Council.

Some of the issues that have been expressed to me that we have encountered are the 8(a) program lists all companies that are 8(a) certified for report purposes, but none of the companies that I have spoken with in preparing for this testimony are getting any Federal work, the very definition of small business as preserved in the program. Many of us feel that it is very unfair and misleading because it refers to businesses with 500 employees or less, which is a major operation. Just for payroll to cover salaries of \$20,000 per employee each, you need \$10 million in sales and then you have to cover all of the costs and still make your profit. It seems that the ceiling of what a small business is should be lower.

The criteria of the program actually present a negative image of the certified companies. The process is felt by many to be burdensome. Comments are that it is costly, time-consuming and there are no real benefits but to say that a company is certified.

Here are some of the types of businesses that I have spoken with which are 8(a) certified and owned by African-Americans from this area. Medical suppliers, drug-testing laboratories, moving, storage, and trucking companies, consulting firms, electrical contractors, and, of course, metal fabricators. To summarize what I'm trying to say is that none of the businesses that I have listed realized any increase in contracts or a new business as a result of the program. And none of them or any of their employees have cashed any paychecks because of this program.

The question now is how do we collectively resolve these problems? We understand that the majority of the employees at the SBA and other agencies are doing a good job, but we also know that some of these programs are not reaching or actually working for many businesses that actually need help. As I mentioned earlier in my statement about the definition of small businesses include those with hundreds of employees. I'm sure if any of us were doing that volume of business, we wouldn't be here today. So we have to use a more realistic number for our businesses of 10 to 15 employees or less and create a model with the help of this committee and with our businesses and community to increase the real opportunity for government as well as private sector business.

As we sit here today, we must remember that we are less than five months away from a new millennium and a product of the most powerful nation on this planet, with members of its governing body present here today. With that power in your hands we must set a tone and environment for all of our businesses to do well. These last few words are crucial. We need to set a meeting immediately and form a committee as to create a test case of 10 businesses from the 7th Congressional District to see how many of these businesses in a four-month time period that can increase their opportunities as a result of these small business programs. And most important, come back together, report how many of these employees of these companies have cashed real paychecks as a result of that effort.

Again, we thank you for listening to us. It is good work and an important effort, and we sincerely thank you for this opportunity and for being here today.

[Mr. Johnson's statement may be found in the appendix.]

Mrs. KELLY. Thank you very much, Mr. Johnson. Let's just—we'll ask a couple of questions here. I would like to start with you, Ms. Harrison-Smith. And I want to first of all say, I'm just delighted that Dr. Hayes from the SBA has stayed to hear this testimony. I hope he's got a sharp pencil and is taking notes, because obviously these are people who are feeling some of that frustration we talked about during the first panel. And I think they have some pretty good ideas.

So, getting on with that, I was really stunned by your testimony, Ms. Harrison-Smith. Some of the things that you were saying really bothered me a great deal. One is that it sounds as though you're not getting the answers you need from the local SBA people, and I'm just wondering if you were hitting, if you felt you were hitting and perhaps, I don't know if I should be saying this, but I know as a woman in business, I sometimes felt this. Have you felt that in trying to get an 8(a) contract, you were hitting an old boy network?

Ms. HARRISON-SMITH. Yes. Absolutely. I felt that there was an established clique, so to say, that I was outside of. And when I became more inquisitive and pointed out the information that I want, I felt the response seemed as if they were almost, you know, some offensiveness there. I was, you know, digging into the issues here and, you know, what's going on and I really don't want to appear that I'm jumping on anyone in particular or the program.

The SBA serves as a valuable tool in a lot of ways. But, you know, I grew up in Chicago, I grew up on the west side of Chicago, I went to school on the south side of Chicago, and you know, when you're in a fight and basically, when you're just little and you're trying to market to the Federal Government, it's like an octopus with a million hands. And if you're out there in a fight and you're wondering who's got your back, you know, you make allowances for that in that fight. But don't tell me you've got my back if you're not back there. Then I'll make allowances for it. I'll know how to go about my fight.

I want to attack the marketing issue because marketing is key. You can't—I'm not looking for a handout. I just want to build a marketing plan. I've been aggressive and we have gotten some contracts, but not 8(a). Everything we've gotten has been open bid from the Internet. We pull things down from the Internet, we prepare our proposals, and we bid in competition with other people. We haven't gotten any 8(a) contracts. And we're not lazy.

I've worked in private industry for 20 years and I've worked preparing proposals for private industry firms. I can write a proposal. I can compete, you know. And I'm not lazy, I'm very aggressive. So I just want help preparing my market plan. If I say, who's getting the 8(a) contracts, it really is for a good reason. You know, if this agency has been given 8(a) contracts, that's the agency I want to talk to because there are a lot of agencies who hear 8(a) special circumstances this, this and they really aren't equipped with the small vendor. You know, that door slams immediately.

We need something there to make some incentive for them to do business. So why keep banging your head up against that when you've got a whole list of agencies that have shown that assistance? And yes, there is a network and I want to know how to get into it.

Mrs. KELLY. Okay. I hope you've heard about that. Did you ever, how did you access the information? Have you tried to access information, I mean, have you ever tried Commerce Business Daily?

Ms. HARRISON-SMITH. Every day I'm on it.

Mrs. KELLY. Okay. There is some indication that sometimes you're late if the first place you find out about it is Commerce Business Daily.

Ms. HARRISON-SMITH. Yes.

Mrs. KELLY. You think we need to do something else to try to—

Ms. HARRISON-SMITH. Yes, I spoke with a couple of procurement people and some of the hints that I've gotten is you have to learn how to read these things that come out on Commerce Business Daily. Sometimes, if you read between the lines, you can tell that, you know, if a bid comes out that's proprietary software that's very narrow, they're only going to award it to the person who has experience with it and by law, the person who owns the right to the software is the only person who has experience to it. So, why are you spinning your wheels going after that project?

When you see things that are sole source or that are option years or things like that and, you know, you need to talk to the OSDBU and find out what's the relationship with the incumbent. Is the incumbent in still good standing? You need to do it for you to get the prior bid and find out how competitive you can be and you know they rev up experience and position. You know, it's tough going, so by the time something reaches a CBD-Net, the mindset has already been set. And I'm not saying that's a hundred percent of the time, because I've been successful with some things off a CBD-Net. But in most cases, by the time it goes out to public bid, there's already been quite a bit of jostling for position, is my impression.

So we need the help before then. We need traditional marketing help. Just like you do in the commercial sector, you know, their marketing reps, they go out and they build a relationship with the customer and they find out what those needs are and they help develop those needs with the customer. And what I expect out of the SBA is they know the contacts, they know the agencies, better than I do. They've got a whole wealth of database information there and I want access to their knowledge of what markets I should be going to. I don't want freebies. Just give me a little bit of help.

Mrs. KELLY. Ms. Harrison-Smith, do you think that the Phoenix system might be helpful to you?

Ms. HARRISON-SMITH. I've registered for the Phoenix system, our records are out there. I'm very Internet-enabled, so I'm probably on 50 different systems. I'm on EPS-Net, I'm on CBD-Net, I'm on IT Bid Engines, I'm on the Phoenix system, I'm on the Navy System, I'm on the FAA, VA; you name it, I get on it. And, you know, that's where we scour our procurement.

Mrs. KELLY. In all of that, you've not gotten one 8(a) contract?

Ms. HARRISON-SMITH. Not one. Not one.

Mrs. KELLY. That's interesting.

Ms. HARRISON-SMITH. We accept credit cards. We have a GSA schedule. All of the above. Now, we do get with GSA, you know, and we've done a lot of marketing on our own with GSA. And we send out our packages, we've sent out about 400 or 500 different packages all over to Federal customers, marketing our GSA schedule. And we've been getting some job orders off that and we've got some business at the Navy. We've gotten some things. I'm not saying we haven't gotten anything, but nothing 8(a). You know, it's like okay, get out there, scrappy-do, and get what you can get. And that's what I did. So, it would be nicer to have an 8(a) contract.

Mrs. KELLY. Thank you very much.

Ms. HARRISON-SMITH. You're welcome.

Mrs. KELLY. Mr. Wordlaw, would the Phoenix system help you?

Mr. WORDLAW. I'm kind of, like what Ms. Smith has said, we have just about any kind of computer programming or Internet system that's out there. So, we do check this; my partner, who is in the audience here, is basically computer literate and she's on everything you can think of. But that's not our problem. I think I mentioned something a little bit when I said getting the bandit on the train. The agencies, I had situations with the 8(a), I have had some similar experience that she's had but I've also had some experiences where the BOS actually did contact the agencies. And the agencies tell me that they really don't feel that they should do anything different. That they're accustomed with the people that they've had business with. That even went as far as working that person or that entity out of the 8(a) program and setting them aside as a small disadvantaged business not under the 8(a) program. We've even helped businesses do that, because we were still 8(a).

So, again, we've done our marketing strategy, in five years I think I've done most of the things, I know I've done most of the things that she's done and some other stuff that she has not yet got to. So, I'm listening to her. I'm saying, wait, I could tell you some other things that you haven't reached yet. But in the meantime, I want you to grandfather in the HUBZone clause. Why should we as the 8(a) firms who have been out here all these years, at this point, now you're clearing another program and as I stated earlier we've been part of empowerment and everything that you can think of, all the programs that name a disadvantaged community. And the HUBZone now grandfathers 8(a) firms into that program without them having to fill out another bunch of paperwork.

So, to answer your question, we already, in terms of like with the credit card. I do business with the VA's, I've done business with all the VA's in the city of Chicago. We've also done business with VA's in Indiana and Milwaukee, Philadelphia, you name it. But what happens is that since they have no teeth in the 8(a) program, since they have no teeth in the agency program with their procurement, then they know that if you like me better or that whatever else is going on, then it's harder for the small companies to creep in. We can't qualify, we can compete with the pricing, we know how to market so I'm not asking again for handouts. I know how to do it but you're setting up an 8(a) program and you say that the 8(a) program should work, then all the muscle that the Federal Govern-

ment has should go into that to make sure that a certain percent of that business works for us. And that's what we should be getting, that's what I think our teeth should go into.

Mrs. KELLY. It sounds to me that you feel, too, that perhaps you've bumped into a kind of an old boy network you can't break into. Is that true?

Mr. WORDLAW. I don't know if you'd call it an old boy network if I'm one of the boys. [Laughter.]

Mrs. KELLY. It's people who were there before you got there, and so they are preferred over you.

Mr. WORDLAW. No, I think the agencies at this point don't believe the program, just like we're fighting now in the country about affirmative action. It's set aside. That's been an issue ever since I've been in business, and I've been in business a long time since 1974. And every time—I'm not picking any particular party, in fact I won't name any particular party—but every time I get involved and you created this some kind of zone or program, then we wind up with the agency that told, I've been told by agencies including SBA in—years ago, is that they want the program to work but nobody's giving us any funding, they're not giving us any directive, we don't have any mandate, it's just a sound, good program that we're putting on a piece of paper and we're going to talk about this during election time and then after that, we'll have some more hearings and then that's it.

That's what I've been told at first since 1974. I was raised on the west side of Chicago. Right now, my business is in what you call the Illinois medical district. We're the only African-American company in the Illinois medical district and being challenged through the other help, these start-ups that a small disadvantaged, people that are doing nuclear testing, DNA testing, technology, they're getting funding. They're finding ways to help them. So SBA and 8(a) could find a way to do a pilot program, if you needed to give me \$50 million, you can put it on the table, let's make it a pilot program and make it work. [Laughter.]

We can make it, you know, but you've got to put that tooth in there.

Mrs. KELLY. Mr. Wordlaw, I'm awarding you the cap of 3Cs, the Chief Chicago Cynic. [Laughter.]

It seems to me like you've been there and tried that. I'm sorry that you've had a lot of frustrating experience, though.

Mr. WORDLAW. And very expensive, I might add.

Mrs. KELLY. Yes, sure, it is. And it's just so frustrating to try and keep trying, and obviously you've spoken with other businesses? You have.

Mr. WORDLAW. Yes.

Mrs. KELLY. We need to try to find a way, and perhaps these suggestions you've offered, I think they're good ones, and perhaps we can take them back to the Committee and consider them. I thank you very much for your testimony.

I'd like to move on to Mr. Lumpkin. Mr. Lumpkin, have you asked for any technical assistance from SCORE or the small business center?

Mr. LUMPKIN. No.

Mrs. KELLY. I wanted to ask you also, have you applied? Because I represent in my district a number of businesses that do inventions and work at the edges of science. And some of them have been able to land SBIR contracts. Have you ever tried for one of those?

Mr. LUMPKIN. Yes, let me expand on that first question you made just a second ago.

Mrs. KELLY. Okay.

Mr. LUMPKIN. I did ask for 7(j) funding for support on infrastructure requirement and there was none available. They approved the proposal at the time but there were no funds available in that particular fiscal year, and this is part of what happens as part of the business planning process working with the SBA. I also asked for funding to cope and get some additional academic exposure, mainly go to like an executive training program.

The option that I was given in that what they did select me and promote me to go to the program at the Ivy League school in New Hampshire, I always forget the name. And I kind of looked at it and it was a one-week program and I thought, gee, you know, I would love to have access to the funds instead and of choosing the program I go to. The University of Chicago has a great one. And that wasn't permissible. I really had a choice of either going to the first school, or going to another one. And I ended up going to an executive program and actually applied at the program and when I got there, this was all during a decision, because a lot of firms like my own who had the shelter programs in their business plan really had to decide if these go away, what are we going to do?

And so I just decided it was incumbent upon me in order to protect the business and the people that had come to work for the company and committed themselves, to go and make sure that I was doing everything I could possibly do if we were thrown out of the program and had to change our business plans. And I got accepted into the executive education program. I told them what my situation was, and they came up with the money.

So, it was a case where I just thought that it would have been so much nicer had the 7(j) program been responsive to the times and to the needs of the individual business owners.

SBIR is a great program. I think every organization, every agency in the Federal Government, should have an SBIR-type program. It is a phenomenal opportunity for small businesses to get in and develop. Unfortunately, a lot of the SBIR money goes unspent and the other part of the SBIR is just like any other contracting endeavor with the Federal Government. If you're not there to influence the way they're thinking when they write the requirement, they don't write the requirement for what you're looking for. They write it for the organization that's in, you're doing the marketing, trying to get there in front of that requirement. And we just do not have the wherewithal to market that way to the SBIR program. But I'm a big proponent of it, I think it really does marvelous things for small business.

Mrs. KELLY. With what you heard this morning in the testimony, do you think there is any way possible that any of the people who sat here testifying could perhaps help you get through to the SPIR

loan program and help you achieve one of those? Would you like to put Mr. Wordlaw on line here? [Laughter.]

You would hope so, is that your response?

Mr. LUMPKIN. No. Actually, the answer is no. But it's not no critical. It's no, the reality of the program is they don't own the program. They don't own the money. They're doing the best they can to facilitate access to the people that make those decisions. But those people are technical. They're not procurement officers. They're not the contract officers.

One of my greatest frustrations marketing here in Chicago is that the EPA does all this buying out of North Carolina. The technical decisions are made by all the people here in Chicago, but you can't get a meeting with the technical person. So why bid? They don't know you from Adam. You don't know what their requirements are. You don't know what their problems, where their pain is, and so you're sitting here going, Jeez, you know, EPA spends all this money here in Chicago and the only people I can talk to that are technical people are the incumbents or the big businesses that just happen to have enough juice where they walk in and get a meeting with the technical director or something.

So, you know, it's not a criticism of the SBA or any of the programs that they can't help me with the SBIR, and it's actually a grant program in addition to loan program, but the problem is that the Corps of Engineers said, the water engineering station down in Mississippi, you gotta go down there. That's a long way to go for a trip to try to stumble upon somebody who happens to have some SBIR money.

So, you think you invest months and months of research to find out who it is that's actually got the SBIR money and who's putting together the requirements. You go down and talk to them, then they tell you well, you know, we got a broad agency now so we're more interested in transport than we are in explosives. Fine, you just blew 1500 bucks. But you can't do that too many times to small businesses.

So the answer is no, but it's not that simple.

Mrs. KELLY. Okay. Thank you.

Mr. LUMPKIN. And the answer is yes, there are ways to fix that, but not the people that were here this morning. They could fix it but they couldn't do it.

Mr. DAVIS. You want to give CCC? [Laughter.]

Mrs. KELLY. Let's hear from you?

Mr. DAVIS. No, I was saying you want to give him CCC now?

Mr. LUMPKIN. I'm a cynic.

Mrs. KELLY. Well, no. I'm hopeful that we're going to have the SBIR bill through committee—

Mr. LUMPKIN. Yes, that would be great.

Mrs. KELLY [continuing]. And that you're going to be able to see it here. I've got this note that Senate's expected to act by the end of September. So that's going to be re-authorized and with luck, I mean, I'd sure like to see people like you get hold of some of that money. That's something that that program's in there for.

I'm going to move on to Mr. Johnson, because I don't want to take any more of your time and my colleague's time, but I just want to move quickly and ask Mr. Johnson, you seem to have

talked with a lot of people, Mr. Johnson. Have you or anybody else tried the Phoenix system?

Mr. JOHNSON. Two of my colleagues in here, and I've spoken to them and I've tried—Mr. Wordlaw and Charlotte, they've tried it. You know, everybody has tried every imaginable system that's available. The majority of the people that we've talked to have not received any business at this point. If I can make a suggestion, because I know we have to move on, is that I heard the word "relationship" used earlier. And a lot of the contractors that have 8(a) contracts now is because of longstanding old relationships. And people become comfortable with old relationships. And I'm saying the day that we have to change our focus and bring some of those contracts and I'm trying to ask you a question, into this room that have those contracts that are from this area and pair them with some people that are 8(a)-certified that are capable of doing this work.

You know, we've talked about statistics, we've talked about a lot of things today, but no one has any contract for us. And it's hard to keep going back to people and talking to them and nobody's getting any contracts. So the answer is there is a way to do whatever we need to do. We just have to find a way and get it done.

Mrs. KELLY. Well, I like that attitude. Sounds like a real small businessman to me. There's more than one small business development center here in Congressman Davis' district. You spoke here in your testimony about the programs not reaching out or not actually working for the businesses, what do you think we could do to try to push that so that people here in this district can get the information and get there, get these contracts. We need to help but we need to hear from you about what you think would be the easiest, because there is this rub of owning your own business and not being able to leave it and spend \$1500 to go down and try to find the right guy who then tells you well, I'm not really interested in your program. How can we help you that way? What can the small business centers do?

Mr. JOHNSON. One of the major problems that we have is not having the resources for a paid staff person to monitor programs. You know, my business is very labor-intensive and we have to spend a lot of time out actually producing the product. Now, we don't have a lot of time or financial resources to have people assigned to do these things. As I've mentioned earlier about our businesses of generally 10 or \$20 million a year, they have a person that's assigned for that. So I think one of the things that would help us greatly is to reduce the paperwork, that's one of the major issues, is the paperwork.

The second thing is that we need to bring some funding in to bring people in to assist us. You know, our business is kind of unique for an African-American to own a steel fabricating company in America, and we just can't seem to find any work. I mean, there are opportunities that people give us; either the contracts are too large for us to digest or too small to waste our time on. I heard talk about a procurement officer in Arkansas. Well, we chased a Navy contract in California for a long time and it was a contract that I know we had a capability of doing because of our business part that did that contract for 25 years for the government that he

worked for. But we just never seemed to finally get it fit. Every time we would get close to it, the additional paperwork would come up or additional restrictions and some things that would come into play that seemed to keep us out of it.

So reducing the paperwork and actually bringing some funding in to bring people in to help us to succeed.

Mrs. KELLY. Mr. Johnson, if you were able, if you've got access to one of those very large bids and you were able to form some kind of an association that would allow you to take that, would that help you?

Mr. JOHNSON. Yes, it would help us. I'll give you two real quick good examples. The Federal Reserve Bank several years ago ran into a problem. They ran out of money boxes. They ran out of it; they have these huge boxes that they use to transport money from the Reserve to various banks to keep their actual cash on hand for days. And they couldn't find anybody to make them quickly. But all of a sudden, Best Metal Fabricators got a call and we ended up one day in the Federal Reserve Bank's money room. I mean, look at this particular box there. We talked about that, but then we walked around with our hands up. [Laughter.]

But anyway, they needed this particular item right away and they couldn't find any of the large contractors to do it because some of those guys' turnaround time were like 35 or 40 days. Well, we could turn around in two days on a project and we were successful in pricing the project. We were very successful in producing the product. We received a letter of congratulations from the company that we worked with and all that. So, yes, we can do it.

The city of Chicago had a project last year and they had some things that they wanted done right away again. And we successfully bid on the project and produced the baskets that you see downtown that are hanging by the Federal Building in all of Chicago, our company manufactured from raw material to finish product every one of them. So, yes, we can succeed if we're given the right opportunity and a sincere opportunity. Not somebody coming in and saying, Best Metal, we want you to do this 20 million dollar contract, because we can't digest that. And they'll go back and report, well, we gave them an opportunity but they couldn't do it or they couldn't put the numbers together for it.

Mrs. KELLY. You watch out. You're going to get one of those C's. [Laughter.]

I thank you all very much, and now I turn you over to my colleague for questions.

Mr. DAVIS. Well, thank you very much and you know, actually, as I was listening and also as I was looking at the photographs on the wall and I see the picture of Harold Washington, it brings back a memory, Mr. Johnson, when you talked about opportunity. When we were just trying to get Harold's campaign off and running, we had this banquet and we had a fellow speaking who got up and suggested that he really didn't have a place in the room because you know, John Hope Franklin, all kinds of dignitaries and lots of other folk who were in the program. But it's just, you know, I remember when I was growing up that me and my two friends were out playing one day and we looked up and a car went down the road and one said, you know, I believe I could drive that car if I

have the chance. So they continued to play and a train came by. The other one said, you know, I believe that I could drive that train if I got a chance. They continued to play and an airplane zipped by. And the other one said, you know, I believe I could fly that damned plane if I had the chance. Then he looked over to Harold Washington, who was then getting ready to run for mayor and he says, Harold, I believe that you could run the city of Chicago if you got the chance.

I guess I hear you saying that many of these companies, if they got the chance, could demonstrate their abilities to do the work. I just regret, one, that C-SPAN was not here, that CNN was not here. Because I think the quality of your presentations, the quality of discussion, the kind of information that you did, generated, has actually been what is needed. I go to an awful lot of hearings; some of them are quite boring and simple-minded and nothing really comes through or comes out. And you just kind of, you know, go over the same stuff that you know you've been over, and that's not what you did.

A woman I used to admire, Tarasila Sand, in grammar school about knowledge. She said that a little knowledge was a dangerous thing, that you had to drink deep because shallow drinking intoxicates the brain. And it seems to me that you've gone deep into what the problems are, and what the needs are. And one of the reasons that I've tried not to attack certain agencies and individuals and groups, because I don't believe in looking for light in dark places. I mean I don't believe in asking somebody to give me something I know that they don't have. I mean, if I want a million dollars there's no point in going to the guy on the corner and "give me a million dollars." I just cannot get it from him.

My question is do any of you know anybody who's 8(a) certified that has gotten any contracts?

Mr. LUMPKIN. I have gotten contracts.

Mr. DAVIS. So Paul has gotten contracts, but not the rest of you, and I think it's also important in terms of the information, I mean it just happens that I know Paul Lumpkin, who is an engineer, whose brother is a distinguished director of public health for the state of Illinois. And so, we're not talking about people who don't have knowledge of information about what they are attempting to do. I mean, I've known Sam Johnson for more than 20 years. I've known Obie Wordlaw for more than 20 years. I've seen their businesses. I've seen their work, and I know that they're in these zones and I know that they've managed yet have not gotten any business. And I've been most impressed with the tenacity, and so it doesn't surprise me that you grew up on the west side of Chicago. [Laughter.]

You sound like a west sider, you've got that kind of heritage.

My last question kind of in terms of and we go through all of the technical stuff. I mean, we go through the technical things, are you suggesting or am I hearing you say that in some instances it's not the technical determinations that will make a difference but it has to also be the institution of will, and without the actual will to break through that the likelihood isn't as great? Is that what I'm hearing you say?

Ms. HARRISON-SMITH. Yes.

Mr. WORDLAW. Exactly. I want to offer a brief statement. Mr. Johnson can attest to this on the private side, the institution—I mean to medical equipment, supplies and all. I can name the hospital, Rush Presbyterian. We had a state of affairs where everybody in this room would be able to get some business and we were totally locked out. But because of commitments from the top was that this program must work, then they found a way.

So what we're suggesting is and hopefully it would answer your question, there are ways that we can, Mr. Johnson has alluded to earlier, there are actually ways that you can help us do this. If you've got an 8(a) program on here and you want it to work then sit down with someone and also let us show you how we can go through the maze, we actually know how. You know, I actually know the agencies are not sensitive to us. That's the people that actually do the buying. It's not difficult. It's a simple process. You come and we want you to take this much, when I put that \$50 million up, I can still use that figure, put that \$50 million on the side for these four companies and then we can figure out a way to make that happen. Either we mentor or be mentored by the major corporations and work through the maze until we can go on our own.

Mr. DAVIS. Are you suggesting that legislatively we need perhaps to revisit some of our programs? I mean, I try not to become jaundiced.

I happened to go to the opening of a research center not very long ago, one of our major hospitals. And as a matter of fact, Hillary Clinton and I were the guests and so forth and we spoke. And I just happened to look around and there were only two African-Americans in the whole place. It was a great event. That next day I needed to go to the doctor; I went to the same hospital and while I was in the waiting room, I noticed all these people in there, basically were black and Latino. And it had just struck me how different yesterday was in terms of the announcements, in terms of the people there who were in charge, in terms of the congratulations, in terms of the professionalism. But then the people who needed the services and were being treated and who were using what the institution provided was just the reverse the next day. And it says to me that there is still a lot of work to be done. That we still have a lot of digging to do. But it also says to me that we can't give up, that we can't lose hope. That we can't stop. That we can't stop believing.

It pains me when people come to me and I tell them to go to SBA and they tell me, Danny, hell, you just don't want to help me. But they do, you know. They're coming to me for advice and I'm trying to tell them what I think can help them. I can't help them. I mean, you know, we got SBA, we got all these programs. We got opportunities. I mean, we start people there to do it. And you know and they go saying, you know, you don't want to help me. And so we've got to increase I guess in some way confidence of the people that we want to impact in the effectiveness of what it is that we have for them. And so, I just want to thank all of you for pointing out to us, not only some of the successes but also some of the shortcomings, some of the failings, some of the things that we need to look at again.

And I can't thank you enough, Madam Chairperson, and I don't say that lightly, in terms of your taking the time out from your recess activity. Also, knowing that the work one has to do in their own congressional district, if you're not taking a little rest or vacation, there are thousands of people reaching and grabbing at you. Elections are coming up and people need to campaign and do all of that in this area, but you hear it anyway. And I think that's an indication of the kind of people that we have serving in the United States Congress. And I think that it's an indication of the kind of person that you yourself demonstrate so that people can in fact be.

Dr. Hayes, I want to thank you for coming down again to bring valuable information in terms of representing the Small Business Administration and doing it extremely well. I thank the Urban League for giving us the chance to make use of the facility. And I certainly want to thank all of the staff persons: Bryan Simms, who has been the lead person on my staff, for the work that he's done in putting this together; Dan Cantrell, who is our district administrator and who is our business liaison and interacts with the business community; as well as the staff from the Committee, from Representative Bartlett's office, from Jim Talent's office, and certainly those who have assisted Representative Kelly for making this day possible. And so I really thank you all.

Mrs. KELLY. Thank you. We are adjourned.

[Whereupon, at 1:35 p.m., the Subcommittee was adjourned.]

SUE KELLY, NEW YORK
CHAIRWOMAN

BILL PASCRELL, JR., NEW JER
RANKING MINORITY MEMBER

Congress of the United States
House of Representatives
106th Congress
Committee on Small Business
Subcommittee on Regulatory Reform and Paperwork Reduction
B-305 Rayburn House Office Building
Washington, DC 20515-6517

OPENING STATEMENT

CHAIRMAN SUE KELLY
SUBCOMMITTEE ON REGULATORY REFORM AND
PAPERWORK REDUCTION
HOUSE COMMITTEE ON SMALL BUSINESS

Good morning and welcome to this hearing of the Subcommittee on Government Programs and Oversight of the Committee on Small Business. A special welcome to those who have come some distance to participate and to attend this hearing.

Small businesses represent the backbone of the economy. The federal government needs to recognize that small businesses are an important cost-effective resource for services and goods. This oversight hearing will give us a chance to hear directly from small business owners about what the federal government is doing right and what it can do to improve the procurement process and expand opportunities for small businesses nationwide.

Today, we will hear testimony concerning the performance of the Small Business Administration (SBA) in administering procurement and other programs designed to assist persons to start a small business and to grow an established small business. For example, the "8(a) Contract Program" and the newly created "HUBZone Program" were designed to help assist persons to realize the American dream of owning and growing a small business.

Have these and similar programs succeeded in achieving their stated objectives? Have these programs benefited the communities in which the small businesses are located and in which the employees live? Or have private sector efforts proved more successful than government sponsored programs?

In the past, small businesses have expressed concerns that SBA and other Federal agencies were not providing sufficient and effective assistance to small businesses who wanted to sell to the Federal government or to increase sales through new business opportunities. This hearing will provide oversight of the SBA's entrepreneurial programs and a forum for recommendations which may be offered for improving SBA's performance in aiding small businesses that want to enter the federal procurement arena and to take advantage of new domestic and export business opportunities.

In addition, this hearing provides a vantage point for identifying problems that small business owners encounter as the result of over-regulation and burdensome government paperwork. Does the federal government use common sense in the promulgation and enforcement of regulations? Is the federal government a friend or foe?

Only you the small businesses of this Nation can answer these questions. We in Congress need to know your views.

In my prior life, I owned and operated more than one small business. I know the unique problems that women entrepreneurs face in starting and growing a small business. Too often this important segment of the economy is forgotten.

In this respect, let me share with you some little known facts about women-owned businesses.

- The number of women-owned businesses increased 89% over the last decade to an estimated 8.5 million.
- Women owned businesses generated \$3.1 trillion in revenue, an increase of 209% over the 1987-1997 period.
- Some 23.8 million employees worked for women-owned firms, an increase of 262% over the 1987-1997 period.

- By the year 2000, it is estimated that women owned sole proprietorships will number 7.1 million, or 35% of all sole proprietorships.

Section 15 of the Small Business Act requires that the President set an annual Government-wide goal for participation by small business concerns owned and controlled by women at not less than 5 percent of the total value of all prime contract and subcontract awards for each fiscal year. This minimum goal of 5 percent has never been achieved in the past. And at a hearing held earlier this month, it was apparent that the goal will not be reached again this year.

The Committee on Small Business and the Congress, generally, in a bipartisan effort, has supported legislation aimed at helping women start and grow businesses. The Committee on Small Business has supported the National Women's Business Council, Women's Business Centers, and the Microloan Program.

We in Congress can pass legislation. But if it is not properly implemented, it will not achieve the intended result. We are here to examine the efforts of the Small Business Administration and other federal agencies in implementing the laws intended to help small businesses obtain their fair share of federal procurement dollars. Are the programs administered effective? Have they done a good job? We need to know.

Again thank you all for participating in this hearing. And thank you in the audience for attending this hearing.

Testimony of
Ruth Alicia Sandoval
Deputy Director
Minority Business Development Agency
U.S. Department of Commerce

Before The Committee on Small Business, Subcommittee
on Government Programs and Oversight

U.S. House of Representatives

August 18, 1999

Good Morning Mr. Chairman, Ranking Member Davis, and Members of the Subcommittee. I am Ruth Alicia Sandoval, Deputy Director of the Minority Business Development Agency (MBDA), at the U.S. Department of Commerce. I am appearing on behalf of Courtland Cox, Director of MBDA. Thank you for the opportunity to appear before the Committee this morning. I bring you greetings from the Secretary of Commerce William Daley, and from the Director of the Minority Business Development Agency, Courtland Cox.

The Minority Business Development Agency is pleased to have this opportunity to appear before you to discuss the status of programs designed to assist small businesses to participate in the Federal procurement market. **This year marks the thirtieth anniversary of the establishment of MBDA** by President Richard Nixon through Executive Order 11625, and over the course of our thirty-year history, we have seen the Federal procurement market develop into a critical source of contracting opportunities for small, minority, and women-owned businesses throughout the country. Through enlightened public policy in the Federal contracting arena, the Federal Government has successfully encouraged the growth of thousands of new small, minority and women-owned businesses. This has in turn encouraged the development of new, competitive sources of supply, created new jobs, and strengthened our communities. In short, Mr. Chairman, we at MBDA will continue to ensure that **our Federal contracting policy will support the development of small business** for the good of the Nation as a whole.

This is particularly true as minorities grow in numbers and become a much larger percentage of total United States population. The Census Bureau is projecting that minorities will account for almost ninety percent of the net population growth from 1995 to 2050; and will then become 47% of the total population. Minority populations will grow in every state; and in Illinois the minority population will be 37% of total population by 2025.

Under Executive Order 11625, MBDA is directed to provide assistance to businesses owned and operated by members of the Nation's ethnic minority groups, as opposed to those operated by small, minority and women-owned businesses generally. My comments therefore will be largely directed toward MBDA's efforts to promote the expansion of the minority business sector. However I believe that many of these comments will apply to the issue of small business development overall.

Since the introduction of Public Law 95-507 in 1976, our Government has supported the use of Federal contracting as a public policy vehicle to help promote the Nation's minority business development agenda. Federal procurement outreach has long been viewed as a way to give capable minority vendors access to the kind of large volume, high dollar-value contract opportunities **that make it truly possible for a company to grow in size.** Because of the transparent procedures and requirements for fair competition built

into the government contracting process, the public sector has been able to adopt a clear, institutionalized approach to the inclusion of minority vendors that does not exist in the private sector.

As the custodians of Federal taxpayer dollars, we have an obligation to ensure that this Government procures goods and services in a way that benefits all of America's communities, and that encourages the growth of new businesses. The alternative is to create an oligopoly of major national contractors that would ultimately **reduce competition**.

MBDA has established a number of programs and services to assist minority vendors to access procurement opportunities. This past year we developed the **Phoenix and Opportunity Databases**, which together form what we suspect may be the most effective bid matching system in the Federal procurement arena. Under the **Phoenix System**, as it is called, minority companies anywhere in the country can register their company names and profiles into our Phoenix database using an on-line registration form residing at our MBDA Web site. At the same time contracting officers from throughout the Federal sector can use our Web site to input notices of their contract opportunities into our Opportunity database. Server-side software then instantly matches each posted opportunity with minority companies that fit the required profile, then generates an e-mail or fax notification to each of the matched minority companies. The notification includes the RFP number, name and contact information for the contracting

officer, a short descriptive paragraph about the contract, open and closing dates, and other relevant information. Another e-mail containing a list of the matched minority companies is sent back to the contract solicitor.

In our first six months of operation, we have logged over 15,000 successful matches for companies registered with the system.

The Phoenix System is not limited to Federal procurement officials. Contracting officers from state and local government participate actively in the system, as do corporate purchasing executives and those representing quasi-governmental agencies such as airports, water and sewer authorities, stadium authorities, public utilities, and others. The system's user-friendly interface and refined sorting capabilities allow virtually all types of institutional purchasing organizations to effectively utilize the system for identifying minority vendors.

The fact that the Phoenix System "pushes" bid notices out to qualifying minority companies is one of the key features of this program. Contract databases require a search on the part of the business seeking contract opportunities. However, as we know, most small businesses already suffer from too few hands trying to perform too many tasks to be able to regularly search through voluminous on-line data. In the absence of this push technology, there is a slim likelihood of a business owner searching a database frequently enough to be able to identify contract opportunities before they become stale.

In addition, the system benefits from its availability to a wide spectrum of contract offers. We have often heard minority business owners complain about the proliferation of agency-specific contract databases that offer information on contracts available only from a single source. This approach clearly fragments the procurement market, and exacerbates a problem that already exists within many small and minority-owned businesses - the lack of available resources to track sales and marketing leads on a sustained, continuous basis. By aggregating contracts from a variety of contracting organizations in one place, MBDA is building a critical mass of users that will simplify the process for minority businesses of obtaining timely information concerning the overall market for their product or service.

We have been very pleased with the results of our Phoenix System thus far, and are actively promoting the system to our sister agencies for their procurement opportunities throughout the Federal sector.

Another feature of the MBDA system is the Performance database. This is an on-line application that tracks the progress of contracts and loan packages processed by our minority business development centers nationwide. Reports are delivered in real-time to manager's desktops. We also have a system of Virtual Centers accessible through the Internet, which provide information on topics

such as International Trade, Manufacturing, and Aquaculture. These centers can be accessed through our MBDA website.

As an agency of the U.S. Department of Commerce, MBDA is also pleased to be able to present to this Committee testimony concerning the Commerce Information Technology Solutions (COMMITTS) initiative. **COMMITTS is the first-ever Government-wide Acquisition Contract (GWAC) set-aside exclusively for small businesses. This GWAC will enable agencies across the Government to access the services of top-notch small businesses, including small minority businesses, small women-owned firms, and other firms.** Twenty-nine vendors have been selected to participate in this program, including Nieto Engineering, a firm based here in Chicago. Nieto was MBDA's 1995 Minority High Technology Firm of the Year for the Midwest Region.

COMMITTS is an innovative use of the Federal Government's new streamlined acquisition procedures, and is expected to result in awards totaling \$1.5 billion for the participating firms. Geared specifically for information technology firms, the COMMITTS program is but one example of **Secretary Daley's commitment to level the playing field for underutilized companies** in this critical sector of the U.S. economy.

In addition, this Committee has heard the concerns expressed by small, minority and women-owned businesses that acquisition streamlining has on balance been

harmful to their companies. These vendors have stated that acquisition streamlining drives the procurement process toward increasingly larger and larger contracts that can ultimately be performed by only a handful of major vendors. GWACs, blanket purchase agreements, Federal Supply Schedules and other streamlined contracting vehicles have simplified the procurement process, but at a cost to our efforts to promote diversity and inclusion. COMMITTS recognizes the benefits of acquisition streamlining, while at the same time ensuring that underutilized firms have a fair chance to compete in the Federal marketplace. We believe that this is a model that should be replicated throughout the Federal sector.

We will continue to focus our programs to support the changes in the business environment, which will facilitate the success of minority business, and promote job and wealth creation. MBDA information is available through our website at www.mbda.gov. Thank you for inviting the Minority Business Development Agency from the Department of Commerce, to testify today. I will be happy to answer any questions you may have.

Statement

of

Ted Cowen

Director, Region V

Service Corps of Retired Executives Association (SCORE)

to

Subcommittee on Government Programs and Oversight

Committee on Small Business

U.S. House of Representatives

September 18, 1999

**Ted Cowen
Director, Region V
Service Corps of Retired
Executives Association
(SCORE)**

Statement
to the
Subcommittee on Government Programs and Oversight
Committee on Small Business
U.S. House of Representatives

Mr. Chairman, my name is Ted Cowen and I am the SCORE Director for Region 5 which includes Illinois, Indiana, Ohio, Michigan, Minnesota and Wisconsin. I am also a member of the SCORE Board of Directors. I have been a SCORE member for 12 years and have served in various capacities including Chapter Chair, District Manager and Director. My business background includes experience in a large company as well as having started and grown my own business.

I appreciate this opportunity to address the committee today. On behalf of more than 12,400 SCORE volunteers across the country I would like to thank the committee for their support of SCORE and our efforts to assist existing and would be entrepreneurs.

As you know, SCORE was established in 1964 and is a not-for-profit association. SCORE is made up of more than 12,400 retired and working men and women who volunteer their time to assist small business owners and aspiring entrepreneurs. These volunteers offer their services through 389 chapters located across the country in every state, and in the District of Columbia, Puerto Rico and the U.S. Virgin Islands. SCORE volunteers represent over 500,000 years of business experience and provided over one million hours of service to the small business community in fiscal year 1998. That volunteer service is the approximate equivalent of a 500-employee firm.

SCORE chapters regularly assist clients with matters that relate to doing business with the government. Specifically, the SCORE cyber chapter has over 45 counselors with experience in government contracting that are available to answer questions and provide guidance in this area. To locate one of these counselors a client would merely access the SCORE web site at **Error! Bookmark not defined.**, select the email counseling icon and type "government contracting", or "doing business with the government" in the keyword search. The client could then choose the counselor whose experience is most relevant to his or her needs.

The Chicago, IL chapter conducts at least two workshops per year devoted totally to government contracting. In Chicago, these workshops include presentations by the Small Business Administration Chicago District Office, The City of Chicago, the State of

Illinois and GSA. According to the chapter, attendance averages 8 to 12 people. The most recent workshop on this topic was held August 10, 1999 and had 8 attendees including 3 people of color and three women attendees. The Chicago chapter has 6 counselors with government contracting experience that are available to assist clients.

Another example of SCORE's efforts in assisting clients interested in doing business with the government is in our Washington, DC chapter. The DC chapter holds one workshop per month specifically devoted to doing business with the government. This workshop averages 8 to 15 attendees each month and is conducted by a counselor who spent his entire career in procurement and small business at NASA. The chapter also has a total of 6 counselors who's primary experience is government contracting and estimates that roughly 25% of their clients are interested in doing business with the government.

SCORE has a number of other chapters that have counselors with experience in government contracting and that offer workshops or seminars on the topic. Chapters work with SBA district office personnel in this area. SCORE has also assisted the SBA with certain aspects of its Electronic Commerce/Electronic Data Interchange training conducted in 1996/1997. Clearly SCORE has the capacity to assist more clients in this area and would appreciate any promotion that members of this committee might be able to provide in their local communities.

As additional background on the SCORE Association, SCORE offers two-primary services, free one-to-one, confidential counseling and mentoring, and low-cost workshops. Counseling includes general business advice on everything from how to write a business plan, to cash flow management, to developing a small business advisory board. Assistance from our business experts may involve investigating the market potential for a new product or service, or assessing the capital needs to start a business. SCORE counselors can provide insight into how to:

- start a business
- operate a business
- grow a business
- buy a business
- sell a business

In fiscal year 1998, SCORE counseled 169,000 businesses and individuals in 246,000 counseling sessions. Of these, 36 percent were already in business and the balance were new to business. Twenty-four percent of these clients were women and 8 percent were men and women together. Of the total, 19 percent of our clients were minorities.

SCORE volunteers offer in-depth workshops or seminars at the local chapter level that address specific interests in the local community. The most popular workshops are designed for people who are new to business or who are thinking of starting a business. Although SCORE counseling is free, workshop fees generally range from less than \$20 to

\$75, depending on the length of the program, materials provided and meals included. Workshop topics have included:

- Developing Your Business Plan
- Starting and Operating Your Own Business
- Basic Business Accounting
- Getting Financing for Your Business
- Advertising Planning for Small Business
- Marketing: A Do-It-Yourself Approach for Small Business
- Government Contracting and Procurement

SCORE chapters offered 5,278 workshops or seminars in fiscal year 1998 with over 107,532 clients attending. Of those workshop clients, 24 percent were women and 14 percent were minorities.

In addition to providing counseling and workshops through local SCORE chapters, SCORE members are also the primary counseling resource in most of the SBA's 56 Business Information Centers (BIC), and the U.S. Export Assistance Centers (USEAC), which are jointly operated by the SBA, Department of Commerce and Export-Import Bank. SCORE members are involved in many of the One Stop Capital Shops located in designated Empowerment Zones and Enterprise Communities across the country.

SCORE is reaching a new generation of entrepreneurs through services now being offered on the Internet. SCORE's Web site **Error! Bookmark not defined.** was launched in June of 1997. Since inception the site has logged over 22 million hits, 12.4 million in fiscal year 1999 alone. The month of July 1999, posted results are 1.4 million hits, 505,000 page views and 41,000 unique visitors. The hallmark of the SCORE Web site is email counseling provided by SCORE's cyber chapter. Today, 604 counselors are available on line to answer questions via e-mail. On average, the cyber chapter conducts over 6,000 counseling session on line each month. In fiscal year 1998 on line counseling sessions totaled almost 30,000, in fiscal year 1999 that number is expected to more than double.

Thank you again for the opportunity to testify on SCORE's behalf.

SCORE receives federal appropriations from the US Small Business Administration.
The amount of that appropriation for the current year and preceding two years are:

<u>Fiscal</u>	<u>Amount of Appropriation</u>
<u>Year</u>	
1999	\$3.5 Million
1998	\$3.5 Million
1997	\$3.5 Million



**GROWING SMALL MINORITY AND FEMALE OWNED BUSINESSES: THE ROLE
OF SBA**

Presentation before the
SUBCOMMITTEE ON GOVERNMENT PROGRAMS AND OVERSIGHT
COMMITTEE ON SMALL BUSINESS OF THE
U.S. HOUSE OF REPRESENTATIVES

Public hearing on
Wednesday, August 18, 1999

At
Chicago Urban League

By
Hedy M. Ratner, Co-President
Women's Business Development Center

Thank you Chairman Bartlett and Representative Danny Davis for the opportunity to present to you today at this public hearing on small business development and growth and the support of the SBA. Representing women business owners throughout the U.S., I would also like to thank the Small Business Committee and the Honorable Danny Davis for your support of women's business ownership.

I am presenting today specifically on the SBA's role in the growth of minority and women-owned businesses in the state of Illinois and nationally. Issues to be addressed in my testimony include support for federal procurement opportunities, economic opportunity programs, issues of certification, government guaranteed loan and microenterprise development and support, the Small Business Development Centers and Procurement Technical Assistance Centers; and best practices for federal procurement for minority and women-owned businesses.

Of course, as a representative of small business and women owned business, one of my major recommendations is increased financial resources for small business development through increased support for women's business assistance centers, the strengthening of the Small Business Development Centers and Procurement Technical Assistance Centers as vehicles for strengthening and support of small business.

Page one

We would like to support Cong. Danny Davis' efforts to increase access to capital through the SBA's microlending program and the possibility of the proposed Program for Investments and Micro Entrepreneurs (PRIME) Act which, if passed, authorizes \$105 million over four years to establish a grant program for micro enterprise development organizations hopefully to be funded through U. S. Treasury Department's Community Development Financial Institutions Fund to work in conjunction with the U.S. SBA's already successful program for microenterprise development.

We would also like to thank the U. S. Senate and Congress for full funding for the National Women's Business Council and request that the House support the U. S. Senate's recommended funding of \$11 million for the women's business assistance center programs nationwide funded through U. S. SBA's Office of Women's Business Ownership. We are also requesting that Congress create the opportunity for funded women's business assistance centers to re compete for federal matching funding after they complete their initial 5-year funding cycle.

The justification for increased resources is in the unbelievable statistics.

Did you know that as of 1999 there are 9.1 million women-owned businesses in the U.S., generating over \$3.6 trillion in sales, and employing 27.5 million workers? In 1973 only 5% of all businesses in the U.S. were women owned. Today, well over 40% of businesses in the U.S. are women owned. Since 1987 the number of women owned firms in the U.S. has doubled, employment has increased four-fold, and their revenues have risen five-fold. A woman of color as of 1996 owned 1 in 8 women owned firms in the U.S. The number of minority women owned firms increased by 153% between 1987 and 1996—three times faster than the overall business growth rate.

However, revenues of women and minority owned businesses are far less than white male owned businesses.

In Illinois 85 percent of all businesses are small businesses. The number of African American owned firms had the largest percentage increase—almost 50% in 5 years— followed by women owned businesses. In the Chicago area Hispanic-owned businesses have shown steady growth. The number of Hispanic businesses has grown by over 400% from 1972 to 1995.

In order to support this enormously powerful trend in our economy, women and minority owned businesses need the support of government to continue to grow our economy and as an incentive to strengthen our ability to start up businesses and to expand and create jobs.

Women and minorities are bypassing the glass ceiling, the concrete ceiling and avoided the sticky floor of dead end and minimum wage jobs to start businesses of their own.

Diverse women, educated and experienced women, economically disadvantaged women—Hispanic, African-American, Asian, Caucasian, older women, young women, poor women, divorced women and women raising their families alone are finding their way to real economic empowerment and independence through business ownership. Struggle they do but empowered they become! In childcare, construction, technology, design, retailing, manufacturing, finance, agriculture and a multitude of service businesses.

Women business owners are the most dynamic and fastest growing segment of our economy. Yet we generate only 18% of all business revenues and generate only 2.3% of all federal contracts.

Congress has helped accelerate the growth and success of women owned businesses. As has the U. S. Small Business Administration. And we could do more! Women and minority business owners need access to capital to start and grow their businesses and that has greatly improved with new products and commitments on the part of SBA. Women and minority owned businesses need new and greater access to market opportunities and to contracts at the federal, state, county, and city levels of government as well as to the private sector. And we have seen the federal agencies develop pilot projects and new marketing opportunities to help women, minorities and other small businesses gain access to federal contracting and subcontracting opportunities. Women and minorities need access to technical assistance and capacity building to develop and grow their businesses. And SBDC's across the country have made a dent in the enormous needs of small businesses.

And with support and direction women and minority entrepreneurs can aim higher, dream more boldly, and dare to think big and change the face of business in the U.S. As well as astoundingly impact our economy and the economy of our communities.

In Illinois, the oldest, largest and most comprehensive women's business assistance center has thrived for 15 years. The Women's Business Development Center has served over 30,000 women through counseling, training, financial assistance, and new marketing opportunities, certification of women business enterprises and advocacy for economic empowerment. And now in Illinois, there are over 336,000 women owned businesses employing 23% of all Illinois workers and generating 15% of the state's business sales. Over half of our Illinois women owned businesses are in services and 18% are in retail trade. The growth of women in construction related businesses in Illinois is phenomenal, in great part because of the commitment to economic opportunities for women and minorities on the part of our Governor George Ryan and the Chicago Mayor Richard Daley.

The Women's Business Development Center is a non profit business assistance center founded in 1985, is an Illinois Small Business Development Center, an Illinois Procurement Technical Assistance Center, a delegate agency of the City of Chicago and Cook County, and a site of the office of Women's Business Ownership of the U. S. SBA as well as a U.S. SBA microloan technical assistance center. A priority of the WBDC is government and private sector certification and procurement opportunities.

The WBDC is one of a network of SBDC's and one of 12 Procurement Technical Assistance Centers located throughout the state. With the network of centers, I am proud that Illinois offers small businesses an invaluable business service. From July 1998 to June 1999, SBDC's served over 23,000 clients in Illinois, more than half of whom were women. In that same time period SBDC's were responsible for generating 85.5 million in business financing which led to the creation of over 2,100 jobs and the retention of 2,700 jobs. In Illinois, small minority and women owned businesses need for financial resources targeted to women and minorities. More SBDC's targeted to women—currently the WBDC is the only SBDC targeted to women and the only procurement center targeted to women.

The WBDC in our 1999 fiscal year was responsible for helping to generate over \$5 million in federal Department of Defense contract awards and over \$16 million in other federal agency contract and subcontract awards as well. The dollar value of all state and or local government contract awards exceeded \$19 million. The WBDC like other PTAC's helped its clients with subcontracting opportunities with government prime contractors and other vendors.

The Illinois Procurement Technical Assistance programs provide assistance to help small, disadvantaged, and minority and women owned businesses build their potential to compete more successfully for federal, state, county and city procurement. In FY 99, the Illinois PTAC program assisted in securing 2,537 contracts totaling \$286.8 million which resulted in the creation or retention of 1,752 jobs in Illinois. The PTAC's provide in depth, hands on assistance to meet specific marketing opportunities by helping to identify appropriate buyers, targeting contracting opportunities; HUBZone and Empowerment Zone contracting assistance, SDB certification assistance, 8(a) business development assistance and help with Pro-Net, the U.S. SBA electronic gateway of procurement information for and about small business.

Unfortunately, many prospective and emerging minority and women owned businesses are not aware of the opportunities presented by SBDC's and PTAC's and many of our struggling small businesses are not in the proximity of a center that can help them grow and develop.

Therefore, we recommend that the Centers need additional financial resources from the state and federal government to meet the increased demand for their services and that newly funded centers be targeted to women and minorities.

The National Women's Business Council conducted research and published reports in 1999 on the Best Practices of several federal agencies to meet the 5% federal procurement goal.

In FY 1997, the federal government reported that women-owned businesses received 2.5% of the \$225 billion prime and subcontract dollars, double the awards made in FY 1991 (1.3%) but far from the 5% goal. The aggregate awards of Federal procurement contracts to women have grown 78% from a total of \$3.2 billion in FY 1991 to \$5.7 billion in FY 1997.

The increase in awards to women owned businesses is mostly attributable to women owned businesses participating in the Small Disadvantaged Business or 8(a) programs. In FY 1997 over 50% of women owned business awards went to women who were also deemed to be small disadvantaged businesses.

The percent growth in the number of women owned businesses receiving prime contracts from FY 1987-97 (60%) is lower than the percent growth in the number of women owned businesses (78%) over roughly the same period.

Given the current environment of streamlining and consolidation of contracts, without "tools" that facilitate access to this marketplace, we will not see a significant increase in competitive contracting opportunities.

Women's business enterprise certification programs have proved helpful to many women in government and large corporation marketplaces. Currently, 31% of women who sell in these markets say they are certified, as a woman owned business.

Women business owners are pleased that SBA has established high small business goals and that Congress established 5% procurement goals for women and minorities. However, the confusion and dissatisfaction of small business owners about the federal government's new requirement of Small Disadvantaged Business certification is real and resulting in few small businesses applying for this status. Although the deadline for SDB certification has been extended to fall 1999, this requirement may prove harmful to these small businesses in their relationships with primes and in their access to contracting opportunities.

Women's business organizations have formed a coalition to petition the SBA to include women as a presumed group eligible for procurement programs and incentives designated for socially disadvantaged individual. Only where women have had access to these programs and this designation have we seen women awarded contracts commensurate with their numbers in the marketplace.

The SDB requirement has frustrated and confused women business owners, prime contractors doing business with women and minority subcontractors and with business assistance agencies. Although the intent of SDB certification is to open doors of opportunity to federal contracts, the process of documentation and proof is difficult at best.

The National Women's Business Council report on successful supplier diversity programs included several key elements:

- Commitment from the top
- Focused Outreach
- Targeted solicitation
- Mentoring
- Certification and move toward universal certification and reciprocity among public and private agencies
- Community partnership – community-based business development advocacy programs
- Accountability – holding the system accountable for delivering results is crucial i.e. under GSA's regulations issued in 1994, when prime contractors bid on future contracts, GSA measures their past performance in meeting the federally mandated separate 5% women-owned subcontracting goal.

A proposal for increased opportunities for small business to do business with the federal government can be applied across all federal agencies. Each federal office manager and administrator has the capacity to purchase up to \$2,500 on a credit card, which is made available to them to facilitate small purchases. Over \$8 billion dollars annually is purchased by individual credit cards. If federal offices committed to buying from small businesses and minority and women owned businesses, the SBA goal of 23% federal purchasing from small businesses would be met and exceeded. The 5% goals for women and minority business owners would be exceeded. The process is simple. Each federal agency can work with agencies such as ours and the affiliates of the National Minority Supplier Development Councils to get lists of small minority and women owned businesses and small businesses in various industries.

The WBDC and the women we represent have proven that SBA programs established to increase federal procurement opportunities are succeeding in achieving their stated objectives. WE believe that these programs are benefiting the communities in which the small businesses are located and in which the employees live and we believe that private sector efforts are dependent upon federal, state and local government leadership and many have developed successful supplier diversity programs that have been successful.

Our caveats and recommendations as stated earlier include the need for universal certification of small disadvantaged businesses; ease of access to federal procurement for small business; increased support for business assistance programs nationwide; expanded financial assistance programs for traditional loans, microloans and equity investment.

We have the power to effect change. We have the mandate. We should accept the challenge.

Respectfully submitted by
Hedy M. Ratner, Co-President
Women's Business Development Center
And Member, Illinois Women's Business Ownership Council
Former member, National Women's Business Council
August 18, 1998



HEDY M. RATNER

Hedy M. Ratner is founder and Co-Director of the Women's Business Development Center, the largest, oldest--14 years--and most comprehensive women's business assistance center in the U.S. The Women's Business Development Center has initiated and helped develop women's business programs in 14 sites in 6 states. The Center provides counseling, training, financial, certification and procurement assistance for emerging and established women business owners.

An advocate and activist for women's issues for the past 30 years, Hedy Ratner was appointed by the President to the National Women's Business Council; she helped to advocate for and create and was appointed by Illinois Governor Edgar to the Illinois Women's Business Ownership Council and the newly created Governor's Commission on the Status of Women in Illinois. Hedy was appointed as Co-Chairperson of the Women's Health Task Force by Chicago Mayor Richard Daley. She is also a board member of the Chicagoland Chamber of Commerce and The Chicago Convention and Tourism Bureau; a founding member of the Coalition For Equal Opportunity and the Alliance of Minority and Female Contractors Association.



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

STATEMENT OF
RICHARD L. HAYES
ASSOCIATE DEPUTY ADMINISTRATOR
FOR
GOVERNMENT CONTRACTING
AND MINORITY ENTERPRISE DEVELOPMENT
U.S. SMALL BUSINESS ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT PROGRAMS
AND OVERSIGHT
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES

AUGUST 18, 1999
Chicago, Illinois

Good morning Madam Chairwoman and Congressman Davis. I am Richard L. Hayes, Associate Deputy Administrator for the Office of Government Contracting and Minority Enterprise Development at the U.S. Small Business Administration (SBA). I am appearing on behalf of SBA Administrator Aida Alvarez, whose schedule does not permit her to be with you today. I would like to thank you for giving me this opportunity to discuss SBA initiatives to foster economic development and business enterprise in the city of Chicago, particularly with respect to Federal procurement. It is always a pleasure to leave Washington and come to where our nation's small businesses are doing the real work of keeping the economy vibrant. Of course, we know that even in today's strong economy, small companies have obstacles to overcome. This is a wonderful chance to talk about the challenges faced by small businesses in today's environment, and to share some ideas for assisting small, small disadvantaged and women-owned small businesses in the future.

At the SBA, we are excited about the future; and we're working diligently to prepare our small business customers for the next millennium. The rapid changes in today's economy indicate that the economy of tomorrow will be more diverse, technology-driven, and information-based.

SBA is already well prepared for the 21st Century. We are serving an increasingly diverse population and have set in motion a series of initiatives to meet the capital requirements, and business development needs for the rapidly growing markets of

women-owned and minority-owned businesses. We are taking advantage of technology to help Federal contracting officers and commercial buyers locate qualified small businesses to fill their contracting purchasing needs. We developed PRO-Net, a free on-line Internet-based search engine for identifying qualified small businesses. PRO-Net has over 180,000 small business profiles and is increasingly becoming used as a preferred source list for government and industry. PRO-Net can be accessed at www.sba.gov.

Let me briefly talk about the importance of our Nation's 23 million small business firms, of which over 588,000 are in Illinois. A Bureau of Census report indicated that of the 10 largest counties in America, Cook County has the second largest number of African American-owned firms -- 32,080. Cook County also is diverse in that it has 23,578 Hispanic-owned firms, 147,341 women-owned firms, and 36,614 Asian-American firms. Small businesses are the engine that drives the economic growth of this country through job creation and innovative ideas. Small companies provide employment for more than 50% of the workforce, and account for 52% of all sales and 50% of the private sector output. America's economy depends heavily upon the contributions made by small businesses.

While small businesses have traditionally been the leading source of new jobs, this role has become increasingly more important as the entire world moves toward becoming a single marketplace. Thanks to information technology, American businesses are increasingly meeting the challenges of global competition. In this new environment, the largest companies must continue to restructure in order to remain lean and agile

competitors. In doing so, these businesses will increasingly turn to outsourcing and subcontracting, which in turn means business opportunities for small companies. Likewise the Federal government will increasingly depend on small business to fill many of its acquisition requirements. Even given the ongoing trend of contract consolidation – or bundling – these are excellent times for small businesses to contract with the Federal government.

The Federal government spent \$181.8 billion on goods and services in Fiscal Year 1998. This includes \$42.5 billion (23.4 percent) to small businesses; \$11.8 billion (6.5 percent) to small disadvantaged businesses; \$6.5 billion (3.6 percent) to 8(a) firms; and \$4.0 billion (2.2 percent) to women-owned small businesses. This represents an increase in every category over the previous year and the single largest percentage of Federal procurement dollars to small business. In Congressional District 7, Federal procurement totaled \$1.3 billion of the \$3.9 billion spent in Illinois. Of the \$1.3 billion, small businesses received \$214.8 million (16.5 percent), small disadvantaged businesses received \$30.7 million (2.4 percent), 8(a) firms received \$17.2 million (1.3 percent), and women-owned small businesses received \$15.6 million (1.2 percent). While these achievements are good, we want to achieve more and are implementing exciting programs to help us meet this small business goal.

During this Administration, we have seen sweeping changes in the Federal procurement process. The government is striving to operate more like a commercial buyer through the use of streamlined contracting practices. As these reforms are

implemented, we are working to reinforce our long-standing commitment to ensuring that small companies remain competitive in the Federal marketplace. We employ a cadre of procurement professionals called Procurement Center Representatives (PCR). Their job is to assure that Federal agencies are making procurement opportunities available for small business contractors at the prime and subcontract levels. In fact, we have an SBA Area Office in Chicago, headed by Mr. Robert Murphy, that is staffed with PCRs and other procurement professionals to assist small business firms.

We also have implemented programs to assist women and minority-owned firms through our women's procurement initiative, 8(a) Program reforms, and the Small Disadvantaged Business (SDB) price and evaluation credit program. Our public/private partnership initiatives with the Big 3 auto makers (General Motors, Ford and Daimler Chrysler) and Bell Atlantic Telephone Company have helped small business subcontractors access procurement opportunities. The first full year of our partnership with the Big 3 auto makers resulted in purchases exceeding \$7 billion from minority-owned companies at the first and second tiers. This represents an increase of \$1.2 billion over the previous year and puts the auto makers ahead of their goal of a \$3 billion increase over the 3 year term of the agreement. Of the \$7 billion, purchases of \$208.6 million were made from 22 firms in the 8(a) program, none of which are located in Illinois. Under the Bell Atlantic agreement, Bell Atlantic pledged to increase purchases from women and minorities from \$640 million in 1998 to \$880 million in 1999. At the end of the first quarter of 1999, purchases totaled \$170.5 million.

Although women-owned businesses are the fastest growing sector of our economy, they unfortunately receive the smallest share of Federal procurement. Since 1994, there has been a government-wide statutory goal of 5 percent for women-owned small business. Over the last five fiscal years (FY 94-FY 98), women-owned small businesses averaged about 1.84 percent of Federal procurement dollars. SBA has joined forces with the 11 largest procuring agencies of the government to exchange innovative ideas and best practices, conduct outreach and training for women entrepreneurs, and to match women-owned businesses with opportunities as prime or subcontractors. In addition, SBA uses private certifiers to assist in implementing the certification requirement of the SDB program. Recently, we announced the selection of an additional 30 private certifiers, one of which was the Women's Business Enterprise National Council. I believe that these efforts will begin to show positive results during the next fiscal year. In fact, in fiscal year 1998, the share of contracts going to women increased to 2.2 percent or about \$4 billion.

SBA launched the HUBZone Program on March 22, 1999 to provide Federal contracting assistance to small businesses located in selected urban and rural areas. Currently, we have received over 500 applications and approved 230 HUBZone firms. There are two HUBZone firms in Chicago. D.R. Balti Contracting Company is an Hispanic-owned graduated 8(a) firm that specializes in general construction (SIC 1542). Barrett Manufacturing Company is a woman-owned small business that provides metal stamping services (SIC 3469). These firms have not yet received any HUBZone

contracts. I am here today to encourage firms in Congressional District 7 and the greater Chicago areas to participate in this program.

Mr. Davis, let me say that Administrator Alvarez and I both feel strongly that the HUBZone Program will be a big success in promoting business and job opportunities in economically distressed communities in urban and rural areas, including Indian reservations throughout the country. I would like to briefly highlight the purpose of the HUBZone Empowerment Contracting Program, its contracting benefits, and identify specific initiatives we have undertaken to implement the program.

On December 2, 1997, President Clinton signed into law the Small Business Reauthorization Act (P.L. 105-135), which authorized the HUBZone program. This program is designed to promote private-sector investment and employment opportunities in distressed urban and rural communities, including Indian reservations by expanding Federal contracting opportunities within these communities. The Program also builds upon the President's Empowerment Contracting Program and other Federal programs targeting community renewal without infringing upon other important Federal initiatives such as the 8(a) program.

The law set a goal for the HUBZone Program of three percent of Federal procurement phased in over a five-year period. This equates to approximately \$2 billion of Federal procurements in FY 1999 and could potentially increase to about \$6 billion by FY 2003. Additionally, the law provides for HUBZone contracting opportunities through

restricted competition, sole-source, and full and open competition. Small businesses will have the opportunity to participate in restricted competition limited to HUBZone firms and in negotiated sole-source contracts. Also, small companies located in HUBZone areas will be allowed a ten percent price evaluation preference in full and open competition. The program promotes private sector investment and employment opportunities in these communities. Eligible HUBZone businesses who locate in Empowerment Zone/Enterprise Communities may also qualify for a variety of employment and investment tax credits. Fostering the growth of Federal contractors in these areas and ensuring that these contractors become viable businesses for the long term, will help to empower these areas without adversely affecting recent efforts to streamline and improve the Federal procurement process.

On April 2, 1998, SBA issued the proposed regulations for the HUBZone Program and established a HUBZone home page within SBA's Website. SBA published the final rule on June 11, 1998. In addition, an interim FAR rule was published on December 18, 1998. The final FAR rule should be published shortly.

The regulations outline the criteria for HUBZone areas and individual firm eligibility. HUBZone areas include designated census tracts that are primarily located in metropolitan areas, qualified non-metropolitan counties that meet a specific income or unemployment test, and lands within the exterior boundaries of Federally recognized Indian reservations. In both your Congressional Districts, there are many census tracts that are qualified HUBZones. I am attaching for the record the HUBZone map for your

Congressional Districts. Obviously, based upon this large number of qualified tracts, the HUBZone Program offers great opportunities for firms to enter and compete in the federal market. A firm's eligibility is based upon four specific criteria: (1) the firm must be a small business, (2) its principal office must be located within a HUBZone, (3) the firm must be owned and controlled by one or more persons, each of whom are United States citizens, and (4) at least 35% of its employees must reside in a HUBZone.

In an attempt to implement this program in the most cost effective, efficient, and customer-friendly manner, SBA has made extensive use of technology. All information about the program is available on the HUBZone Website, including descriptive materials, SBA's role in administering the program, frequently asked questions and a library that contains full text copies of program legislative and regulatory documents. The Website address is www.sba.gov/hubzone. The Website has a geo-code mapping system that provides detailed maps of HUBZone areas, including eligible census tracts, non-metropolitan counties and reservations. This mapping system allows a firm to determine whether it is located in a HUBZone by simply entering in an address. The Website also has an electronic application form that is straightforward and easy to complete. In order to ensure maximum utilization of the HUBZone program by Federal agencies, we are using PRO-Net to identify approved HUBZone firms. Small businesses that do not have on-line access to the Internet should visit one of SBA's resource partners such as One-Stop Capital Shops or the Small Business Development Centers for assistance.

I would like to highlight other SBA efforts to support economic development in Chicago. As you know, the economic vitality of many urban communities is not what it could or should be despite the overall soundness of our economy. The Administration has embarked upon the "New Markets Initiatives" which are designed to highlight and emphasize assistance to areas that have been traditionally underserved. These initiatives include programs to infuse these areas with equity capital, debt financing, and technical assistance. We expect that Congressional District 7 will be able to utilize these programs to enhance and foster economic development in your communities. Additionally, an SBA One Stop Capital Shop will soon open in Congressional District 7 at 3333 W. Arlington Avenue, the same building where your local district office is located. This resource will provide your constituents direct access to all of SBA's business assistance programs.

The New Markets Initiatives will provide additional capital to support small business development in Chicago and build upon the outstanding work of SBA's local district office to serve the capital needs of the small business community. During the fiscal years 1998 and 1999 as of July 31, SBA backed 167 loans totaling over \$37 million for Congressional District 7 residents. The current active SBA-backed loan portfolio for Congressional District 7 is 356 loans with a total value of over \$55.8 million. One of these loan recipients is IMC Automation, Inc., which is owned by an African American woman. With her two SBA guaranteed loans for \$175,000 she has built a thriving computer sales and service business that currently has several contracts with the Chicago School District as well as government and commercial clients. I commend the SBA

Chicago District Office and the local banking community for their efforts in bringing business formation and expansion capital to your community, but we all know that there is more that can be done.

The HUBZone Program and the New Markets Initiatives focus upon area economic development and job creation; however this represents only a partial solution to community based economic development. We must also provide an opportunity for entrepreneurship, especially among disadvantaged individuals who for too long have been denied the opportunity to establish and build successful businesses. The 8(a) Program provides this opportunity.

This Administration is committed to the goal of assisting in the growth and development of disadvantaged small businesses and expanding contract opportunities for those businesses in the federal marketplace. SBA's main program of support for disadvantaged businesses is the 8(a) Program, which is managed by our Office of Minority Enterprise Development (MED). The 8(a) Business Development program assists businesses owned and controlled by socially and economically disadvantaged individuals to successfully compete in the mainstream national economy as required in the Small Business Act. The program provides access to capital and credit, business counseling and training, and federal procurement opportunities. Through these activities, MED ensures that its customers have access to the full range of developmental and financial services offered through SBA's field offices.

Under section 8(a) of the Small Business Act, SBA is authorized to provide sole source and competitive contracts to small businesses that are owned and controlled by socially and economically disadvantaged individuals. The goal of the program is to provide business development assistance to help eligible firms attain self-sufficiency and competitive viability by providing access to business development resources including sole source and limited competition contracts for up to nine years. Manufacturing contracts offered in the program that exceed \$5 million and service contracts that exceed \$3 million are required to be competed among eligible program participants.

Under the section 7(j) Management and Technical Assistance Program, SBA provides management and technical assistance to socially and economically disadvantaged individuals and businesses, both 8(a) and non-8(a); to low income individuals; and to businesses located in areas of high unemployment or in areas with a high concentration of low-income individuals. Participants in the 8(a) program comprise the largest percentage of 7(j) program users. The funding for FY 1998 was approximately \$2.8 million. SBA awards cooperative agreements to both public and private organizations for the delivery of program services.

Since the inception of the 8(a) program in 1968, over 505,000 contracts, worth approximately \$76.8 billion were awarded. While these figures represent a very small percentage of total Federal procurement actions and dollars, they still signal significant success in assisting disadvantaged small businesses enter the Federal and commercial markets.

Fiscal year 1998 marked the 30^m year of the SBA's 8(a) Minority Enterprise Development program. During fiscal year 1998, a total of 6,078 businesses participated in the 8(a) program. These firms contributed an estimated 180,922 jobs to the nation's growing economy and billions of federal and state revenues. Between October 1, 1997 and September 30, 1998, a total of 557 new firms were certified to participate in the program.

During fiscal year 1998, agencies awarded \$6.4 billion in contracts under the 8(a) program. The five largest areas of contract activity were Design/Develop Test Services (SIC Code 8711), General Contractors (SIC Code 1542), Management Consulting Services (SIC Code 8742), Computer Integrated System Design (SIC Code 7373), and Computer Programming Services (SIC 7371). In Congressional District 7, there are 48 firms in the 8(a) program. During FY 1998 these firms received \$60 million in contract activity.

The 8(a) program has made it possible for many disadvantaged entrepreneurs to enter the Federal marketplace. It is a means by which qualified businesses have provided goods and services that have met or exceeded market standards and agencies' needs. Historically, the contract default rate of 8(a) program participants is less than that of firms in general. This program has demonstrated that given the opportunity, disadvantaged firms can perform effectively and efficiently.

Let me share with you a few examples of successful 8(a) program participants.

The 8(a) program has produced many thriving companies that have created jobs and contributed to the economic growth and development of this Nation. Over the years, 8(a) firms in Illinois have been very successful in construction. During 1993 through 1998, 8(a) firms received construction projects that ranged from \$3.6 million to \$17 million per contract. These contracts were performed for several Federal agencies including the Defense Department (Navy and Air Force), the General Services Administration, and the Department of Veteran's Affairs. For example, Pacific Construction Services, which is located in Chicago, was established in 1993 with a staff of 2 people and annual sales of \$1 million per year. In 1997, the company received its 8(a) program certification. Since that time, the company has received two 8(a) competitive contracts valued at over \$22 million. For fiscal year 1998, the company reported revenues of \$9.8 million with a staff of 28 employees.

Another exemplary 8(a) firm is Louis Jones Enterprises Incorporated who is a certified minority business enterprise with the City of Chicago and Cook County, and a disadvantaged business enterprise with the Chicago Transit Authority, Metra and Pace. The company provides general engineering, architectural, computer processing, data preparation, and computer facilities management services. Since entering the 8(a) program in 1991, Louis Jones Enterprises has received 4 contracts valued at \$27 million dollars.

The last example highlights the achievements of a women-owned small business in Chicago that provides temporary personal services. Gray Personnel Services Incorporated was established in 1995 with three employees and annual sales of \$6,000 per year. In 1991, Gray Personnel Services entered the 8(a) program. The company has received management and technical assistance, business advice and counsel, Executive Education and Training from Clark Atlanta University, 17 contracts valued at \$7.8 million. For FY 1998, the company reported revenues of \$5.4 million with a staff of 10 employees. I believe these success stories demonstrate that the 8(a) program is a business development program that provides valuable assistance to minority-owned firms.

Over the past year, SBA has focused on strengthening and improving the 8(a) program. SBA released final regulatory changes to the 8(a) Program which allow successful firms to partner with new 8(a) firms through a mentor-protégé relationship. The changes will also allow small businesses access to federal contracting opportunities by making it easier for these firms to team together and compete for large contracts. In addition, the changes provide for a more equitable distribution of contracts by imposing competitive mix requirements and restrictions on sole source contracts.

SBA also implemented the following new initiatives to streamline the 8(a) procurement process and enhance its overall effectiveness.

- **Delegation of 8(a) Procurement Authority.** SBA made a major step in improving the 8(a) program by utilizing Memoranda of Understanding (MOU) to delegate its authority to procuring agencies to contract directly with program participants. Agencies covered by a MOU are allowed to award a contract directly to an 8(a) firm on either a sole source or competitive basis. The delegation allows SBA to effectively manage the 8(a) program, while maintaining and improving the level of service provided to participants. By streamlining the 8(a) contracting process, the program has become more timely and efficient, making it a more attractive contracting vehicle for procuring agencies.
- **Business Assessment Tool (BAT).** The BAT is an online assessment tool that allows the district offices to evaluate the business development needs of 8(a) and SDB firms. As part of the annual review process, the tool will assist the Business Opportunity Specialists to take inventory of the firm's performance; conduct a systematic review of the firm's capabilities in various business areas; develop recommendations for training, counseling, or financial assistance; and refer the firm to SBA resource partners and service providers. SBA will use the information gathered by the BAT to ensure that 8(a) and SDB firms are being provided the business development assistance they need.
- **Mentor Protégé Program.** This Program is designed to encourage approved mentors to provide various forms of assistance to eligible 8(a) participants as protégés. The purpose of the mentor-protégé relationship is to enhance the

capabilities of the protégé and to improve its ability to successfully compete for Federal contracts. Mentors can be any business that has graduated from the 8(a) Program, firms that are in the transitional stage of program participation, other small businesses, and large businesses. Mentors may provide to protégés technical and/or management assistance; financial assistance; and contracting assistance such as the formulation of joint venture and subcontracting arrangements. SBA determines the eligibility of Program participants (both Mentors and Protégés); approves the Mentor-Protégé Agreement; reviews existing Mentor-Protégé relationships; and serves as mediator of disputes between Mentor and Protégé.

- **BusinessLINC.** In June, Vice President Gore launched an initiative called "BusinessLINC" – Learning, Information, Networking, and Collaboration – to galvanize business-to-business relationships that build the competitive strengths of small businesses, especially those located in economically distressed urban and rural areas. The purpose of BusinessLINC is to forge a new partnership between the federal government and America's business community to encourage large businesses to work with small business owners and entrepreneurs, especially in America's cities and in economically distressed areas. BusinessLINC helps foster entrepreneurship and builds on our community empowerment efforts. Many small businesses cannot access the network of information, resources, experience and personal contacts available to larger businesses that enable them to compete effectively in today's marketplace.

- **SBA Virtual Classroom.** We are in the final development phase of six new on-line courses to be added to SBA's Small Business Classroom. The courses will be available on SBA's Website in August. The courses will cover topics such as federal procurement, firm self-assessment, business building, business mentoring, e-commerce, and certification programs. While offering the distance learner broad guidance in these arenas, the courses will aim at expanding the public's knowledge about specific SBA programs. The Small Business Classroom is an on-line system resource for training and informing entrepreneurs and other students of business. The classroom applies a variety of user-friendly devices to educate the public on business-related topics. The courses are especially useful for small business clients with time and travel constraints. Each course offers a comprehensive list of resources. The SBA Virtual Classroom initiative represents yet another example of how making good use of the new information technologies available today can help SBA reach new markets.

In conclusion, I believe you will agree that with the vast array of services provided by SBA, small businesses will find it easier to access and compete successfully in the Federal marketplace. In addition to direct SBA assistance, there are several basic strategies that should help these firms become successful. Consider the following:

- **Take Advantage of Outsourcing** -- Some forward thinking management experts believe successful companies of the future will derive their competitive edge by developing several "core competencies" and outsourcing all other functions. Such firms will perform only functions at which they are the "best of the best" and contract

everything else to superior outside firms. Small businesses must take advantage of this growing trend.

- **Undertake Entrepreneurial Networking** – Small firms should consider networking, partnering and/or forming alliances with other firms to meet specific, expanded or consolidated government requirements such as participating in SBA's Mentor Protégé Program.
- **Apply Diversity Marketing** – The government is committed to encouraging diversity in the work place and in the business environment. As such, agencies and prime contractors have an obligation as well as incentives to meet specific diversity goals. Small disadvantaged businesses and woman-owned small firms should take advantage of this opportunity.
- **Exploit Government Resources** – Small firms should use the many excellent government resources available to help them find procurement opportunities such as the Commerce Business Daily, the PRO-Net and the Acquisition Reform Network.
- **Attend Procurement Seminars** – Small firms should take advantage of procurement seminars, conferences and briefings offered by federal agencies and other organizations.

- **Explore Subcontracting Opportunities** – Small firms should target successful prime contractors to form joint ventures and teaming agreements. We urge these firms to contact the Chicago Area Office, which has a Commercial Market Representative (CMR) who can help them market and facilitate partnerships with large business prime contractors.

Thank you for inviting me to discuss SBA programs and initiatives that will support economic development, business development and job creation in Chicago and Congressional District 7. I will be happy to answer any questions you might have.

01/13/00

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Congressional Testimony
 Given By Charlotte Harrison-Smith
 President of Millennium Data Systems, Inc.
 500 North Michigan Avenue Suite 300
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 (312) 396-4064
 8a Firm since October 1997

My name is Charlotte Harrison-Smith and I am the president of Millennium Data Systems, Inc. I am most grateful for the opportunity to testify here today. Thank you Congressman Davis, and your staff, and thank you Congressman Jesse Jackson, Jr. and your staff for referring me to Congressman Davis' office. I hope that I don't get in trouble with my SBA representatives by testifying here today. I believe that the SBA can be a viable tool for small businesses but at this point in the program, I believe that something is wrong, but I just don't know whom to believe. In 1997, we received our 8a certification from the Small Business Administration. It was and still is our understanding that the SBA's program is a program of business development and not just certification.

Business Development Efforts of the SBA:

From the very first day, that we became 8a certified we have participated in numerous conferences sponsored by the SBA. We have enrolled in the on-line bid notification engines available as well as visiting the women's business development center to discuss procurement assistance with them and to make sure that our firm was on their electronic bid notification system. The Women's Business Development center reinforced in me that the SBA 8a program was a business development program and not just a certification program. I was mindful of the constant reminders that "most people go through their entire 9 years of 8a certification without ever receiving an 8a contract" and "we're not staffed for contract procurement". Nevertheless, I believed that if we were aggressive and worked hard that we could identify 8a opportunities. I focused my marketing efforts on several of the federal agencies in Illinois such as the EPA and Argonne National Labs. However, I quickly found that with the budget cuts there were no opportunities available. I developed my list of marketing candidates from Internet information and handouts. However, I needed more help. Therefore, I decided to attend more conferences. Most SBA conferences usually have a small fee between 40 and 45 dollars. I thought that I would be a bit more selective and only go to the ones that promised "discussions with contracting officers" but even then, I realized that no real business was conducted at conferences. I continued to bid on local and federal projects and found some small success in open bids under the umbrella of GSA. However, an 8a award seemed very elusive. Most of the agencies I contacted had already awarded multiple year contracts to other 8a firms.

In the first half of 1999, sometime in April, I contacted my business opportunity specialist, Ms. Linda Parker to request specific assistance in securing new business. I was very clear in communicating to her that our firm was experiencing duress and needed contract assistance. She stated that the SBA does not help firms obtain contracts but she could point me to the Commerce Business Daily to review open requests for services. I was already visiting the CBD Net and had submitted bids on several projects. I needed more specific help in marketing and securing meaningful contract participation.

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- 1) Out of frustration, I began calling other SBA officers around the country. I spoke with Ms. Byrdsong out of the Dallas office and asked what should I expect from the Chicago SBA office. She confirmed that the SBA does not have contracts. However, she stated that my business opportunity specialist could provide me with the list of other 8a firms in Chicago that do similar types of business and have received 8a contracts. She also stated that the opportunity specialist could provide me with the name of the agency that made the award, the name of the contact at that agency and the date and amount of that award. She stated that this is the information that we should be using to develop a list of customers to whom we would market our services as an 8a firm since these are the agencies that have shown a willingness to do business with 8a firms. In addition, she stated that there is a procurement representative and a commercial market representative assigned to each SBA office. Their jobs are to maintain a review of prime contractor compliance with subcontracting rules and to obtain subcontracting opportunities within the commercial markets. She stated that these representatives should also be able to provide me with a list of their contacts or at least provide copies of my brochures to their contacts. I also contacted a procurement center representative from the Indiana office and she referred me to the procurement center on South Michigan Avenue here in Chicago.
- 2) I submitted a written request to the Chicago office to receive a list of all 8a firms in the entire Chicago portfolio that provides the same services as we do. I listed our primary SIC Codes as 7371, 7373, 7374, 7379, 7338, 7363, 8741 and 8742. I also requested a list of the agencies that support the firms identified in my request with 8a contracts. I requested the names, titles, addresses, telephone numbers of the contract officer, the name of the agency awarding the contract, the date of the award, the dollar amount of the award, the name of the Small Business Development Officer for the agency along with the name of the 8a firm receiving the award. The request was submitted as a freedom of information request via registered mail return receipt requested. Mr. Conner and Linda Parker followed up with me to advise me that my request was somewhat burdensome on their staff given the organization and manner in which this information is stored and the lack of staff/manpower available to respond to the request. Mr. Conner also felt that my purpose of seeking this information was limiting and that I would be better served to request this information from the procurement information center database. He stated that he would provide as much of the information that was available but he did not believe that they maintained the names and contacts of the awarding agency because that information was in a coded format. I promptly prepared a request for the center and forwarded that request to the Washington office via facsimile.

Management and monitoring of 8a award process:

I was extremely grateful for the information that I received from Ms. Byrdsong and the Indiana procurement center but equally upset that I had to hear this from Dallas and Indiana and not from Chicago. I began to review other aspects of the 8a program. I noticed that the 8a regulations state that during the transition years (5 - 9) an 8a firm should significantly

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decrease the amount of 8a business in its portfolio. After doing a search on Pro-Net for 8a firms in Illinois, that were minority and female owned and performed help services, I found Millennium Data Systems and Grey Personnel. Grey Personnel was scheduled for graduation from the 8a program in January 2000.

However, during my marketing efforts at GSA, I remembered that one of the contracting officers mentioned that Grey Personnel had been awarded an 8a contract for help services. It was also my understanding that the contract also contained several "option" years. I have not been able to confirm this information. I expect that the response to my freedom of information request will address this issue along with others. When Stephen Smith asked Mr. Conner and Ms. Parker about 8a awards to firms in transition, Mr. Conner replied, "Even if they do go over the limit, what am I going to do, kick them out?" This left the impression that there were no serious attempts to enforce the rule of transition. If a bank makes a mistake and gives you a check for too much money, when they figure out the mistake they will come back to you and try and get that money back. The rule of transition is just as important for business development as the initial 8a award. If the SBA does not motivate 8a firms to limit dependence on 8a contracts prior to graduation, those firms are more likely to experience severe fluctuation in their business volume than the firm that has balance in their business portfolio. Monitoring and enforcing the rules of transition are important business development activities.

I believe that the 8a program can be strengthened in several ways:

- 1) Provide a list of all 8a awards made each month on each local office's web-site and include the agency making the award, the 8a firm receiving the award, the length and value of the contract.
- 2) Institute open competition for all 8a awards that come into the office that do not target a specific firm. This should be similar to the process in place at GSA where at least three vendors are required to submit quotes for certain types of jobs.
- 3) Include a list of all prior 8a awards for 8a firms in transition.
- 4) Monitor firms in transition for compliance.
- 5) Provide documentation for awards that are re-directed to 8a firms other than the firm designated on the initial award information.
- 6) Limit the number of firms that one business opportunity specialist is responsible for, particularly when those firms are in direct competition with each other.
- 7) Develop a form of oversight for instances when competing firms are vying for the same contract and each firm has the same opportunity specialist. In cases like these, all firms involved need to be notified.

What checks and balances are in place to insure that an 8a participant maintains the recommended balance of 8a to commercial business during their transition period? The process of awarding 8a contracts needs to be more open. Publishing award information on a regular basis would help to establish an audit trail of procurement activity that is available for both contracting officers and other 8a firms that participate in the program.

I drafted a letter to Robert Conner of the Chicago SBA office and copied Representative Jesse Jackson, Jr. and Ms. Aida from the Washington Office. In that letter, I expressed my dissatisfaction with the SBA program. Often times it appears that the SBA exists for the

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sole purpose of soliciting money from 8a participants for seminars and conferences. Mr. Conner and Ms. Parker scheduled a meeting, and Stephen Smith, our corporate secretary, attended the meeting and spoke at length with Mr. Conner and Ms. Parker. During that meeting, Mr. Conner and Ms. Parker told Mr. Smith that their office is severely understaffed. Without the staffing information and statistics of the award process in front of me, I cannot fully attest to the accuracy of these statements. In a subsequent conversation I had on speakerphone with Mr. Conner and Ms. Parker, they expressed the same to me also.

Many of my inquiries and requests to the SBA office are met with either disagreement on the focus of my request or lack of staff to fulfill the request. I don't know whom to believe. I want the SBA to be a viable tool to assist our business in achieving its goals. In order to do that, the SBA office must be capable of responding to the needs of 8a firms within its portfolio.

When we hear the total numbers for 8a awards from the Chicago SBA office it is hard to believe that "most of it was in construction". If that is true, then please publish the numbers. Please publish the awards. Please let us know what process is involved in determining who receives what contract. We continue to hear that the majority of the contracts that come into the SBA office usually have a specific firm identified before the award reaches the SBA. However, we know that this is not always the case and even when it is there are instances where the SBA intervenes and re-directs the award to other firms. What are the rules for how this works? Did the Chicago SBA office really award \$91 million in 8a awards for the last fiscal year? Who received those awards?

The Dallas and Indiana offices appear to provide a more even handed disbursement of 8a awards to the 8a firms in their portfolio. The proportion of staff to 8a firms in the Indiana and Dallas offices should be equal, but certainly not more than the proportion of staff to 8a firms in the Chicago office. Mr. Conner stated that the Chicago office has more than 168 8a firms in their portfolio with one full time procurement center representative. If this is true, this is certainly inadequate. However, again, who are we to believe? Someone is receiving 8a awards.

When I received my 8a status, I felt that I was finally getting some "real" assistance. I thought that a federally backed program would be different than other "certification" programs. If the SBA is not a business development program, then just tell us that in plain English so that we can adjust our thinking and move on. If the SBA is a business development program, that put away the smoke and mirrors and let us see and feel how the program works.

Thank you all for your time and I do hope that at the end of these hearings, the small business community will have a more open, well organized and equipped partner in the form of the Small Business Administration.

Good Morning, Mr. Chairman and members of the Subcommittee. My name is Obie Wordlaw, CEO of Jero Medical Equipment & Supplies, a co-founder of a home healthcare agency and a life time entrepreneur .

Jero is a distributor of medical equipment and supplies, and a manufacturer of disposable wearing apparel. Established in 1987, certified with every certifying agency in the State of Illinois and Federal Government also, a veteran owned business enterprise. Jero has been certified under the 8 a program since 1994. We are now in our 5th year of the 8 a Program with **NO CONTRACTS**.

In 1997, Jero relocated after 10 years in the North Lawndale area hoping to benefit from some of the existing economic program, (i.e.) the Empowerment Zone, Enterprise Zone, and Labor Surplus Area with no success. Jero is currently located in the newly created HUBZone with 99% of its employees living in the qualified zip codes. Simply put, we hire from the community.

First, I would like to address these specific questions:

1. Have the 8 a program and the newly created HUBZone succeeded in achieving their stated objectives?

In order for these program to achieve their stated objective, federal agencies must become co-partner with SBA.

I know you can produce 1 or 2, 8 (a) firms or other firms within the economic program that states the program is achieving it goals, however, until these program reaches a larger percentage of it qualified firm in contracting opportunity and business development the tricker down effect does not reach the majority of firms.

Some of the reasons why these program may not be as effective as intended:

My Business Opportunity Specialist has a great working relationship with Jero and provide us with the necessary assistant, the fact is my BOS has more than 50, 8 a firms that she must market and assist in business development. How is it possible for one person, to effectively market, match firm with federal agencies, and assist me with procurement. When my BOS has almost three times, the amount of firms to work with. My understanding is each BOS, should have no more that 20,- 8 a firms to be effective in achieving the stated objectives.

After 5 years in the program, I have yet, to get a field visit from my BOS. In order for Jero to benefit fully from the 8 a program, and not just to become 8 a certified firm; with an assigned number.

The BOS must visit the 8 a firm; and establish a rapport:

- ❖ get to know the firms
- ❖ their capabilities
- ❖ what is that firm actual business,
- ❖ what federal agencies can we match and market this firm to?

As of today, Jero is only an 8 a firm on paper. **NO CONTRACTS**

HUBZone purpose is to promote economic development and employment growth in distressed areas by providing access to more federal contracting opportunity. SBA regulates and implement the program.

Again, you must get the bandit on the train, the federal procurement agencies must become co-partners with SBA, in order for SBA to reach it stated objectives. How are you going to get Federal Agencies to work with SBA? (e.g. Veteran Administration, Dept of Defense)

As recently as, Monday, August 16, 1999, I was told by Chicago VA's Medical Center, that they can not do 8 (a) contracts, all contracts are administer out of Milwaukee. What is the purpose of having buyer at these medical centers?

I, asked the Chicago VA's Representative about small purchase through credit card, I was told that, they encourage card holders to utilize local disadvantage business, however it is still up to the card holder to buy from whatever, vendor they want to. I am suggesting that VA's find out who are the benefactor, of small purchase through the government credit cards? How does these federal agencies (VA's & DOD) finds ways to get around FAR? And create these program.

- ❖ Prime Vendors,
- ❖ Bundling of contracts,
- ❖ Credit cards purchases,
- ❖ Standardization Program.

2. Have these programs benefited the communities in which small businesses are located and in which the employees live?

Until some kind of sincere commitment is made through partnership with federal agencies and SBA, only a few people will benefit from these programs.

Finally, I have no federal contracts, I have never had any federal contracts, or grants or subcontracts.

Recommendations:

- ❖ You must hire people to administer and monitor these programs, with authority to ensure the success of these programs.
- ❖ You must get the federal agencies on board with SBA, in order to effectively make these programs work.
- ❖ SBA must cut out some of the paper work that is required for small disadvantage businesses.
- ❖ Large contracts must be monitor for Subcontracting Plans and Implementation.
- ❖ Some one must be made accountable to the community, to ensure that these program actually benefit the economic groups that it is intended.
- ❖ 8 a firms must have those field visit, in order to be effectively marketed.

Thank you for giving me this opportunity to discuss the US Small Business Administration in administering procurement and other programs designed to assist person to start or grow an established business.

With proper staffing and funding these programs can indeed work. What is good about this hearing is you are here to listen and we do expect positive results. I really need SBA assistant in securing contracts as an 8 a firm and located in the HUBZone.

I will be happy to answer ant question that you may have.

*August 16, 1999 Testimony of Paul D. Lumpkin before the Congress of the United States
House of Representatives
106th Congress
Committee on Small Business
Subcommittee on Government Programs and Oversight*

PROFESSIONAL BACKGROUND of WITNESS:

Mr. Lumpkin is the Owner and CEO of Plexus Scientific Corporation, a company principally involved in development of technologies for safely managing and disposing of military high-hazard waste. A Chicago, Illinois native, Mr. Lumpkin worked his way through college and received his B.Sc. from the University of Illinois, College of Business Administration (Major: Decision Science/ Minor: Economics). Mr. Lumpkin is also a graduate of the Harvard University Graduate School of Business, Owner/President Management Program. Mr. Lumpkin has taken his own company, Plexus Scientific, from start-up to a recognized technology leader in the DOD environmental technology market, growing at over 100% each year since 1992. Mr. Lumpkin currently serves as a consultant to the Army Science Board.

Mr. Lumpkin has over 20 years professional experience, 15 years of that in the management of scientific/engineering companies serving both federal and commercial R&D clients. Mr. Lumpkin's professional experience includes both start-up and turn-around projects for both large and small businesses. He has successfully developed business operations from scratch, including marketing, human resources, technical and administration. He implemented management control systems for executive decision making as well as project level cost tracking systems. He has developed product design specification and managed product development projects for professional services companies and for hi-tech manufacturing companies.

Honorable Chairman, Congressmen and Congresswomen.

The question before you today examines "the performance of the Small Business Administration (SBA) in administering procurement and other programs ... designed to assist persons to realize the American dream of owning and growing a small business." It is a uniquely American privilege to have the opportunity to address the nation's decision-makers on such a key issue. I am deeply grateful and have endeavored to do as good a job as I can to contribute today. I must warn you that I have a lot of positive things to say about the SBA, and federal employees in general. I feel this way because I have been the recipient of many hours of dedication and concern about the company as a business entity, and for myself as a person from both employees and the administrators in the SBA. I owe a great deal to the Small Business Administration programs, and hope to do my part today, and into the future to repay the national commitment to people and companies like Plexus Scientific Corporation.

Before I address the specific question before you today, I would like to point out that the "law of unintended consequences" does not always yield "undesirable consequences". The 8(a) program has been successful in increasing the number of disadvantaged

businesses participating in the economic mainstream. This fact has yielded an unintended benefit for the federal Government. The inclusion of historically under-utilized businesses has increased the pool of vendors participating in competitive federal procurement. This process of inclusion has unintentionally helped address a new challenge facing the federal Government's procurement process, namely maintaining a competitive pool of vendors that will ensure low prices, high innovation and high quality. The same business trends that have increased competitive pressures on all small and emerging small businesses, have created challenges for the federal competitive procurement process. . One such pressure is business consolidation. Consolidations are being accelerated by the high-technology contributions to business operations. High technology communications and operational advances have enabled the National and International merger/acquisition machinery to the point that it is difficult to find adequate competition. Other market pressure limiting the federal Government's competitive pool is the federal "down-sizing". This has resulted in fewer contract personnel, which in-turn has encouraged contracting to "bundle" contract requirements into fewer contracts. The net result is that contracts have gotten so large that only a fraction of the competitive pool can participate. It is an unintended consequence of the 8(a) program that it has successfully expanded the competitive pool for federal procurement. It would be useful to examine the SBA 8(a) program as a model program for all Americans wishing to introduce new businesses and new methods into the federal market. The benefit to our nation from small business efficiency, innovation and creativity is so valuable that it should be encouraged and sheltered as a national asset.

My hope is that this raises several questions in your mind. Among those questions I would like to voice a few of my own:

How has the 8(a) program succeeded in increasing the competitive pool? How could a "Federal Business Competitiveness Program" expand upon the 8(a) program success? What should a Federal Business Competitiveness Program seek to accomplish in addition to the 8(a) program? Who could participate in a Federal Business Competitiveness Program?

In my remarks about the question at hand, I will start by noting what I believe to be the obvious. There have been enormous changes in the way the federal Government does business over the 32 years since the Minority Small Business Capitalization and Development program began. In many respects the SBA 8(a) program has been a huge success. From its beginnings in 1967 the purpose of the 8(a) program was to assist and accelerate minority small business matriculate into the mainstream of federal business. I think that we can all agree that the program has been a success in this regard.

However, over these last 32 years the mood of the people, and the mood of the Congress has changed. Some of these mood swings have been reflected in increased expectations, while other swings went in the direction of restrictions placed on the SBA 8(a) program. The changes have come from both Legislative changes and Executive mandates. These changes were both good and bad, depending on one's political viewpoint, moral viewpoint, and/or business viewpoint.

I ask you to hold the thought in your mind that the original purpose of the SBA 8(a) program was to help minority and disadvantaged business owners “matriculate into the mainstream of federal procurement”. While you have that in mind, I’ll ask you to think about what has happened to federal procurement over the past 32 years. First, the level of federal procurement has increased from tens of billions to hundreds of billions. Examples of this increase include federal procurement from agencies that didn’t even exist at that time, such as the EPA, FEMA and the Dept. of Energy. Second, the way the federal Government procures goods and services has evolved. Changes in the way the federal Government procures goods and services include policy changes as well as process changes. Probably the single largest procurement policy change since the inception of the 8(a) program came about as a result of the first Paperwork-Reduction Act legislation promulgated in the late 1970s. The federal Government rationalized the procurement process and developed the Federal Acquisition Regulations, a standard set of procurement policies applying to all agencies. The net affect of the FAR on federal procurement was to ensure a level playing field for competitive procurement within the federal Government. Process changes include the application of technology leading up to the current entry of the federal Government into the virtual procurement-world of e-commerce.

But changes in the way the federal Government does business aren’t the only changes the 8(a) program has to deal with. New industries have matured, creating new job categories (e.g. the computer/high tech industry), while other industries or jobs have nearly disappeared (e.g., steel mills, stenographic services, porters/pullman, railroad track repair, uniform/clothing, & shoe manufacturing). Just to name a few of the new challenges the changes in the private sector impose, look at the recent attempts by the SBA to create new “Small Business Size Standards”. I would like to cite one case, which I think shows both the SBA’s creativity and commitment, while simultaneously showing the enormously difficult task they face. The one case, environmental cleanup, began with a proposed size standard using a “dollar volume” determination of \$18 million dollars (this roughly represents a company of 175 to 200 employees). By the time the comments were considered and all the data was in, the resulting size standard had changed from a “dollar volume” size standard to a “number of personnel” size standard of 500 people (this roughly represents a company between \$50 million and \$ 60 million dollars). There are several other examples, but the environmental size standard is a good one to point out the difficulty that the SBA has, so I’ll use it for one more point. In order to define the environmental cleanup size standard, the SBA found it expedient to amend an existing size standard rather than create a new nomenclature. In this case, the size standard does not have a definition, but is defined by referring to three other Standard Industrial Classifications Codes (SIC Codes). The newly amended size standard is defined as having less than 51% of the work to be performed falling into any one of the other three size standards. If you are lost, please don’t frustrate yourself by re-reading this, just take my word that it works, and that it proves my point.

So, it is perfectly understandable that the time has come to take a fresh look at how the SBA could more effectively operate into the 21st Century.

So here are my recommendations to the Panel:

- First on this list, I propose an immediate review of the SBA's funding for "Management and Technical Assistance", known on the inside of the SBA as the 7(j) program. A substantial increase in the 7(j) funding would be a strong indication that Congress has begun to look at the SBA 8(a) program from a different standpoint for the 21st Century. This recommendation does not intend to diminish the role of contracting assistance. Referencing my earlier statements, the procurement strategies in use by the agencies have become increasingly sophisticated. New federal procurement strategies seek to achieve maximum efficiency for the contracting personnel and shift an increasing level of responsibility onto the contractor/vendor. One of the most popular new procurement trends requires contractors to offer highly sophisticated cost accounting capability. The cost of equipment and software alone will exceed \$35,000 to \$40,000, a very large cost for small business. Once the training and implementation costs are considered, it is easy to exceed \$150,000 to comply with the new contracting strategies.

Getting the first contract from a client is essential to survival, and in this regard the current contract assistance program has high value. However, getting the second contract from the same client measures the long-term success and viability of a company, and this is a key area for which the 7(j) program would be of great value. Take the case of Plexus Scientific, for an example. We recently completed a project that changes the way the Army plans for environmental technology. This project was important enough to the Army that a recommendation for the highly coveted Hammer Award for productivity is in process. This success comes from a contract awarded through the 8(a) contract assistance program. Our corporate growth would greatly accelerate if we could "get the word out" and leverage this success. Leveraging success builds a business niche. However, leveraging success requires marketing materials and exposure. When Plexus was first certified into the 8(a) program we would have been extremely grateful if the SBA had provided grants for brochures and training in the FAR. But the 7(j) funds were too scarce and our request was never funded. Now, six years later, we have an even greater need than we did in the beginning for technical assistance in marketing. (As a matter for the record, Plexus has gained benefit from the SBA contract assistance.)

- The second recommendation proposes that Congress review the SBA 8(a) development/transition strategy. I believe that the SBA does not have sufficient program latitude and has too few tools to provide the business development assistance intended by the existing transition strategy. It is my sense that SBA transition strategy correctly identifies three stages of a corporate life cycle for transition, but is internally contradictory and one-dimensional, only addressing the marketing component of a company's growth. A more beneficial approach might consider the structural needs of a growing company, which would require some differentiation among the various types of business. I suggest that the transition strategy be made more relevant to individual business type. This could be accomplished following the same logic (along the lines of SIC Codes) as the size standard definitions, which are industry and product/service specific.

An example of differentiation along business lines may add clarity to this recommendation. Take for example, management consulting versus computer manufacturing. Management consulting relies on individual trust between client and vendor. It requires long-term relationship building and is extremely slow growth. The trust developed in management consulting requires the vendor to invest "heart and soul" in understanding the clients business environment and operational standards. This business is not transportable and does not lend itself to sub-contracting opportunities. Management consulting is substantially different from computer manufacturing. In the case of computer manufacturing there is no individual client relationship. The investment is in technology, manufacturing capital and market needs analysis. To put these two separate companies on the same growth and transition schedule is not reasonable, and the Congress should endeavor the SBA to develop transition strategies based on SIC Codes (similar to different SIC Code size standards).

- Third on this list recommends that Congress consider development of a training program for contracting officers in other federal agencies as part of the 8(a) contract assistance program. There is new legislation aimed at making small business contracting easier, faster, and cheaper to use than any other contracting method available to federal agencies. The high "cost-of-entry" into the federal market cannot be avoided with the current procurement hurdles. However, the "local customs" and processes often prevent contracting personnel from taking advantage of these newer, more efficient contracting methods. It is my experience that very few federal contracting personnel have had any specific training in small business contracting, or in 8(a) contracting. I have personally been involved in numerous cases where faster, easier, and more cost effective contracting methods were not used. It is a prudent business practice to regularly review the cost of doing business, which include the cost of contract acquisition. At Plexus we've looked into the reasons for the added cost of business due to contract negotiations and keep hearing the same response from contracting personnel that "no one told me I could do that." It would be a benefit to both the small business community and the professional contracting community if the SBA would develop a training and out-reach program for other federal agencies.

In addition, Congress might want to review the possibility of a "standard" contract for use by all agencies. After nearly 20 years in both federal and commercial business, it is my belief that a standard set of terms and conditions could be developed for use in 8(a) procurements. This might function similarly to the GSA Schedule (a catalog of pre-approved prices available to all federal agencies). Frankly, it boggles my mind that some contract offices can produce contracts in days, while others take months. I have personal experience that ranges from several days to several months to negotiate various contracts for identical services. The only difference is the particular contracting organization. The high cost of contracting prohibits small businesses from gaining access to federal contracts. In my opinion, this barrier to entry represents as great a challenge to the federal client as it does to the 8(a) company. I have had numerous conversations with contracting officers that agree with my point, but don't have the authority to make the changes. The federal client and their

contracting organizations get just as frustrated as the vendors do, but it is difficult to change tradition without outside help.

- The last recommendation addresses new spending programs. Congress might consider a Small Business Impact Statement (SBIS) similar to the EPA's Environmental Impact Statement (EIS). The National Environmental Protection Act requires the federal Government to provide an EIS for any new federal program. The thought here is that Congress authorizes a National Small Business Protection Act that requires a small business strategy for any new federal program. Any one in business can tell you that the benefits of incumbency include being at the "top of the food-chain" when new budget items are passed. Incumbency in federal contracting has resulted in feeding frenzies among the largest companies, each seeking to hire the "best connected" lobbyist to gain access to the program and "help" the federal Government in the early design and development of the program. By the time the program is developed and small business participation is considered, it is far too late. Small business is relegated to trying to find a "crack" in the program that might have been over-looked during the initial planning effort. Some of the most interesting programs being developed include rebuilding of infrastructure, Anti-terrorism programs (reference the Numm-Lugar Bill), and the Nuclear Non-Proliferation programs in DOE. As these programs begin to "role-out" it would be a novel step to consider the role of small business, especially in the area of program design and development. It is an interesting dilemma for the federal program managers at that crucial stage of program design. They often must rely on consultants to provide insight and technical assistance to design and develop a program. However, if they seek assistance from large firms, then they put that large firm into a position of conflict of interest for pursuing the program implementation (generally the design effort is a very small amount compared to implementation). This might be an interesting small business niche for the future to avoid the inherent conflict that the federal program manager and large organizations often face.

I know that I have covered a lot of ground in my testimony. Again, I am honored to have this opportunity to express my thoughts and beliefs, and stand ready to assist in any way I can in the future.

Paul D. Lumpkin

**Testimony of Mr. Samuel E. Johnson
Before the United States Congress
Sub Committee on Government Programs
and Oversight**

August 18, 1999

Good Morning. The first thing I like to do as a rule of respect and etiquette is to acknowledge the Chair of this subcommittee, Sue Kelly, and Congressman Danny Davis the ranking member of this committee and all of the honorable and respected ladies and gentlemen that are here today. Again I would like to acknowledge Congressman Davis for his effort in bringing this hearing to the black community and giving our community an opportunity to give input into the operation of SBA Programs.

My testimony that I have submitted and that you hear today, is a result of a series of meetings and conversations with a broad section of business owners and community people from this area. Included are just a few words on who I am, the owner of a metal fabricating business that is located on Chicago's west side in the middle of an area that is designated as a empowerment zone as well as a hub zone and several other designations in an industrial corridor in which none of the businesses who talked with me can seem to find any federal help. Also I'm on the board of directors and serve as president of one of the oldest grass root community organizations in Chicago, which is having it's 53rd anniversary dinner in October, the Midwest Community Council.

Some of the issues that have been expressed to me or that we have encountered are:

- The 8a program lists all the companies that are 8a certified for report purposes, but none of the companies that I have spoken with in preparation for this testimony are getting any federal work.
- The very definition of "small business" as preserved in the program for many of us feels that its very unfair and misleading, because it refers to businesses with 500 employees or less, which is a major operation. Just for payroll to cover salaries of \$20,000.00 per employee each, you need \$10 million dollars in sales, and then you have to cover all other cost and still make a profit. It seems that the ceiling of what a "small business" is, should be lower.
- The criteria of the programs actually presents a negative image of the certified companies.
- The process is felt by many to be burdensome. Comments are that it is costly, time consuming and there are real benefits, but to say that a company is "certified".

Here are some of the types of businesses that I have spoken with which are 8a certified and owned by African Americans from the area

Medical Suppliers
Drug Testing Laboratory
Moving, Storage and Trucking Company
Consulting Firms
Electrical Contractors
and of course Metal Fabricating

To summarize what I'm trying to say is that none of the businesses that I have listed realized any increase in contracts or new business as a result of the program and none of them or any of their employees have cashed any paychecks because of these programs.

The question now is how do we collectively resolve these problems?

We understand that the majority of the employees at the SBA and other agencies are doing a good job, but we also know that some of these programs are not reaching or actually working for many businesses that actually need help.

As I mentioned earlier in my statement about the definitions of small businesses including those with hundreds of employees, I'm sure if any of us were doing that volume of business I wouldn't be here today.

So, we have to use a more realistic number for our businesses of 10 to 15 employees or less and create a model with the help of this committee and with our businesses and community to increase the real opportunity for government as well as private sector business.

As we sit here today we must remember that we are less than five months away from a new millennium and a product of the most powerful nation on this planet with members of its governing body present here today. With that power in your hands we must set a tone and an environment for all of our businesses to do well. These last few words and I'll be done. We need to set a meeting immediately and form a committee as to create a test case of 10 businesses from the 7th congressional district to see how many of those businesses in a four month time period that can increase their opportunities as a result of these "small business programs" and most importantly come back and together report how many employees of those companies have cashed real pay checks as a result of that effort.

Again, we think your listening to us is good work and an important effort, and we sincerely thank you for the opportunity and being here today.

Presentation to: U.S. Congress, Small Business Subcommittee
Hearing on Federal Government Procurement
August 18, 1999

COSMOPOLITAN CHAMBER OF COMMERCE IS INTERMEDIARY FOR SBA

The Cosmopolitan Chamber of Commerce, the oldest interracial business organization in Chicago, currently assists women and minority business owners in securing funding as an intermediary for the Small Business Administration (SBA). Working through the Chicago II Minority Business Development Center as a satellite office, the Chamber provides services to business owners in need of funding to start or expand their businesses. Services include:

- ◆ Business planning guidance
- ◆ Assistance in the development of financial projections
- ◆ Review of documentation required for the loan package
- ◆ Review of credit bureau reports
- ◆ Acting as intermediary between the client, the bank and the SBA until funding decision made (includes presentations to multiple banks if required)
- ◆ Technical support after the loan is funded

Obviously, a great deal of concern was generated by the recent Supreme Court decisions, which have watered down the objectives of affirmative action policies. The public sector has traditionally been an important business resource, because the law stood in the way of discriminatory practices. Targeted efforts to limit competition for minority firms further recognized that companies that had suffered as a result of discrimination would have an opportunity to, essentially, catch up. Current rulings, however, tend to weaken these stated goals. For example, it is a company that has been disadvantaged, not necessarily its owner; yet the new Department of Transportation guidelines measure the owner's income as an indicator of the eligibility of the company for participation in targeted procurement programs. An owner may adjust his/her business in accordance with the market available in order to remain profitable, but the employees may be lost or jobs may never be created because the company is not able to compete for larger Federal contracts.

A major issue in the ability of any small business to pursue Federal contracts is its ability to finance the work. The Small Business Administration is the government's resource for addressing this need. SBA has designated the Chamber as an intermediary for its Pre-Qualification Loan Program. The "pre-qual" program is structured to provide funding to women and minorities seeking loans of \$250,000 or less. It allows for processing to be as short as 2 months as opposed to as many as 9 months processing for other loan programs.

The Chamber has also signed a Memorandum of Understanding (MOU) with the SBA to step up its efforts to reach minority firms and assist them with their financing requirements. We **should** note that SBA has never funded the Chamber or any other organizations in this area to **provide** such services to minority-owned businesses. There has been an SBA funding program **focussed** on providers of services to women-owned firms for a number of years. The results **speak** for themselves, as women-owned businesses are growing rapidly and turning over millions in loan dollars guaranteed by the Small Business Administration.

As a Minority Business Development Center, the Chamber assists clients with their financing needs. Examples of the work we are doing include a north side retail establishment which recently received \$100,000 loan and a west side neighborhood service which was approved for approximately \$300,000. While there are a number of loan packages pending for Chamber clients, with many more clients requesting assistance each day, the needs of many potential clients cannot be met with our limited staff. The result is that SBA is a resource for the clients we can get to, but without additional staffing, these kinds of substantial loans will elude many who need professional assistance to develop effective packages that will be approved.

There needs to be an increase in guaranteed loans but in order to have that increase, there must also be reconsideration of the guidelines for funding. Until there is, inequities will continue, with women (the majority of whom are not of color) continuing to reach a level of parity, and minorities, men and women, continuing to lag behind everyone else. Of course, as long as staffing depends on the Minority Business Development Agency for funding, the Small Business Administration gains credit for guaranteed loan we able to have approved; while MBDA effectively pays the cost. This is not a negative relationship; its simply is one that limits the access to capital for the many minority business enterprises who might otherwise be served.

Chicago II Minority Business Development Center Satellite Office

1326 S. Michigan Ave., Ste. 100
Chicago, Illinois 60605
Phone: (312) 786-0212
Fax: (312) 786-9079
e-mail: bizcoach@ameritech.net

The Cosmopolitan Chamber of Commerce, Chicago's oldest interracial trade association, is now a Minority Business Development Center (MBDC) satellite office in partnership with the Latin American Chamber of Commerce. The project is funded by the Minority Business Development Agency (MBDA) of the U.S. Department of Commerce. The Chicago II MBDC Satellite Office is established to foster the creation and expansion of minority-owned businesses through capital development and government contracting, increasing the level of employment through the creation of new jobs and retention of existing ones.

Business consulting services are available free of charge. However, there is a nominal fee for specific management and technical services. Fees are on a sliding scale, based on gross revenues of the business. The services for which there is a fee include:

- ♦ Business plan development
- ♦ Loan packaging placement and assistance
- ♦ Marketing plans
- ♦ Marketing strategies
- ♦ Financial analysis

Fees paid for the above services may be applied toward membership dues for the Cosmopolitan Chamber of Commerce. An amount equal to the fees paid will be applied toward the annual dues for the current year.

Additional services offered by the Cosmopolitan Chamber of Commerce include:

- ♦ School of Business Management
- ♦ Construction Training
- ♦ Business Formation Workshops
- ♦ Electronic Commerce Resource Center (ECRC)

**SBA Loans to African American Women
Owned Businesses by State**

1998 & 1999

State	Number of Loans	Amount
Indiana	0	\$ 0
Utah	0	0
Idaho	1	15,000
Hawaii	1	500,000
Maine	1	15,000
Vermont	1	55,000
Oregon	1	100,000
Montana	1	90,000
New Mexico	1	25,000
Alaska	1	359,900
Arizona	2	65,000
West Virginia	2	157,000
New Hampshire	3	260,000
Puerto Rico	3	510,000
Minnesota	3	135,000
Kansas	4	269,300
Virgin Islands	4	596,000
Rhode Island	5	471,000
Nebraska	6	400,226
Wisconsin	6	286,100
Colorado	7	946,500
Iowa	7	862,000
Delaware	8	587,500
Connecticut	9	1,820,900
Massachusetts	10	579,000
Washington	11	876,223
Kentucky	11	1,063,900
Michigan	13	1,847,519
Arkansas	13	814,594
Louisiana	15	2,243,700
Oklahoma	15	2,350,615
Mississippi	15	1,037,200
South Carolina	16	2,582,500
Nevada	16	400,226
Alabama	17	2,040,300
Tennessee	19	2,688,000
North Carolina	20	1,794,060
Missouri	29	3,135,500
New Jersey	29	3,235,200
Ohio	35	5,390,950
Virginia	36	3,578,280
Pennsylvania	38	4,281,600
Illinois	47	4,377,100
Georgia	50	9,445,765
Florida	55	7,412,825
Maryland	57	7,354,900
New York	69	6,798,800
Texas	73	13,175,600
California	104	15,160,485
Overall	909	\$115,019,440

**8A Contract Awards to African American
Women Owned Businesses by State**

1996-99

State	Number of Contracts
Arkansas	0
Arizona	0
Hawaii	0
Idaho	0
Indiana	0
Iowa	0
Kentucky	0
Maine	0
Michigan	0
Minnesota	0
Mississippi	0
Nebraska	0
New Hampshire	0
New Mexico	0
North Dakota	0
Oklahoma	0
South Dakota	0
Utah	0
Vermont	0
West Virginia	0
Wyoming	0
Tennessee	1
Nevada	1
Delaware	2
Wisconsin	2
Virgin Islands	2
Rhode Island	3
Alaska	3
Kansas	3
Oregon	3
Washington	4
Louisiana	5
Pennsylvania	5
Florida	10
Missouri	11
South Carolina	11
New York	11
Connecticut	13
Colorado	13
Massachusetts	15
New Jersey	15
Alabama	20
Illinois	21
Texas	25
North Carolina	26
California	34
Ohio	38
Georgia	54
Maryland	194
Virginia	308
Total	853

Washington, DC

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